July 31, 2019

Zacks Small-Cap Research

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Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

CSSE Pro Forma Numbers With Sony's Crackle Reveal Higher than Expected 2018 Adjusted EBITDA of $26 Million

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2020 EBITDA of $30 million and a ten multiple, the stock could be worth $19.00 per share.

Current Price (07/30/19)	$9.05
Valuation	**$19.00**

OUTLOOK

Chicken Soup for the Soul Entertainment has just closed a joint venture with Sony's Crackle AVOD channel. Pro forma numbers reveal that in 2018 together the two would have generated $94 million in revenues, non-GAAP EPS over $1.00 and EBITDA of $26 million. This is more profitable than expected and we expect this EBITDA number to increase in 2019 and beyond.

SUMMARY DATA

52-Week High	**$12.36**
52-Week Low	**$7.02**
One-Year Return (%)	**-13.4**
Beta	**1.2**
Average Daily Volume (sh)	**22,595**
Shares Outstanding (mil)	**12.0**
Market Capitalization ($mil)	**$109**
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	**56.6**
P/E using 2020 Estimate	**30.2**
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)
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	$9.8 E	$24.5 E	$34.0 E	$70.8 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	-$0.14 E	$0.15 E	$0.32 E	$0.16 E
2020					$0.30 E

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WHAT'S NEW

Pro Forma Results Show Much Higher Profitability that Expected

Management filed pro forma income statements for full year 2018 and the first quarter of 2019 and a pro forma balance sheet for March 31, 2019 with Crackle.

Pro forma for 2018 the two would have generated net revenue of **$92.6 million**, GAAP EPS of $0.10 per share, non-GAAP EPS of approximately $1.04 per share (although we are not positive on all the one-time expenses) and an **EBITDA of $26 million**. Revenues would have been $18 million higher than we had initially estimated ($65 million versus $48 million) as gross billings were decided by the auditors to be counted as revenues. Initially CSSE claimed that Crackle generated $15.9 million in gross billings resulting in $10.9 million in revenue for Q1 2019, but the auditors decided that gross billings for the ad business were actually revenues, and the pro forma revenue was $15.0 million.

In Q1 2019, the combined entities generated $17 million in net revenue and would have been profitable on a non-GAAP basis taking out one-time charges and stock-based compensation. Pro forma GAAP EPS is a loss of $0.32 per share, but a non-GAAP gain of $0.02. Pro forma adjusted EBITDA for the quarter was $2.7 million.

Revising Forecasts

2019

Now we are just tweaking the Q2 2019 quarter based on Crackle actuals in Q1, and moving revenues up to $9.8 million given Crackle is combined only for half a quarter. Until we see how profits shake out we are keeping expectations low, but results could be much better in 2019.

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.

We are maintaining $105 million revenues for 2020 for now with upward revision possible. 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 adjusted EBITDA of $30 million, although given the pro forma adjusted EBITDA in 2018 of $26 million this could turn out to be extremely low.

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.

- Our 2019 revenue estimates is $70 million. Our valuation for the company is $19.00 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 10.0 times EV/EBITDA. Using our estimate for EBITDA in 2019 of $18 million and the industry average, CSSE could be worth $180 million, or $15.36 per share. Using 2020 EBITDA of $30 million and shares of 16 million, that would be **$19.00 per share.**

Looking at it from enterprise value to sales, the group trades at an average of 4.6 times estimated 2020 sales. Using this CSSE could be worth $478 million enterprise value or **$30.00 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	$11,780	$12,540	$13,100	$2,590	2.6x	2.3x	11.6x	y	30,040
Entertainment One	ENTMF	NA	$1,377	$1,377	$242	NA	1.8x	10.1x	y	2,440
DHX Media	DHXM	NA	NA	$325	$57	NA	0.6x	3.7x	y	209
Gaia	GAIA	$73	$55	$47	-$27	1.3x	2.0x	-3.6x	y	96
Lionsgate	LGF-A	NA	$3,716	$3,680	$394	NA	1.6x	14.6x	y	5,740
Netflix	NFLX	$24,850	$20,200	$17,630	$1,960	6.1x	8.6x	77.2x	y	151,380
Roku	ROKU	$1,400	$1,050	$813	-$10	8.4x	14.5x	-1236.6x	y	11,810
WWE	WWE	$1,280	$992	$912	$156	4.5x	6.3x	36.6x	y	5,710
Average					**743.9**	**4.6x**	**4.5x**	**10.0x**		**$28,816**

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. Crackle Plus generated $93 million in revenues last year pro forma. At the same ratio of enterprise value to sales, Crackle Plus itself would be worth $186 million. CSSE current enterprise value is $113 million.

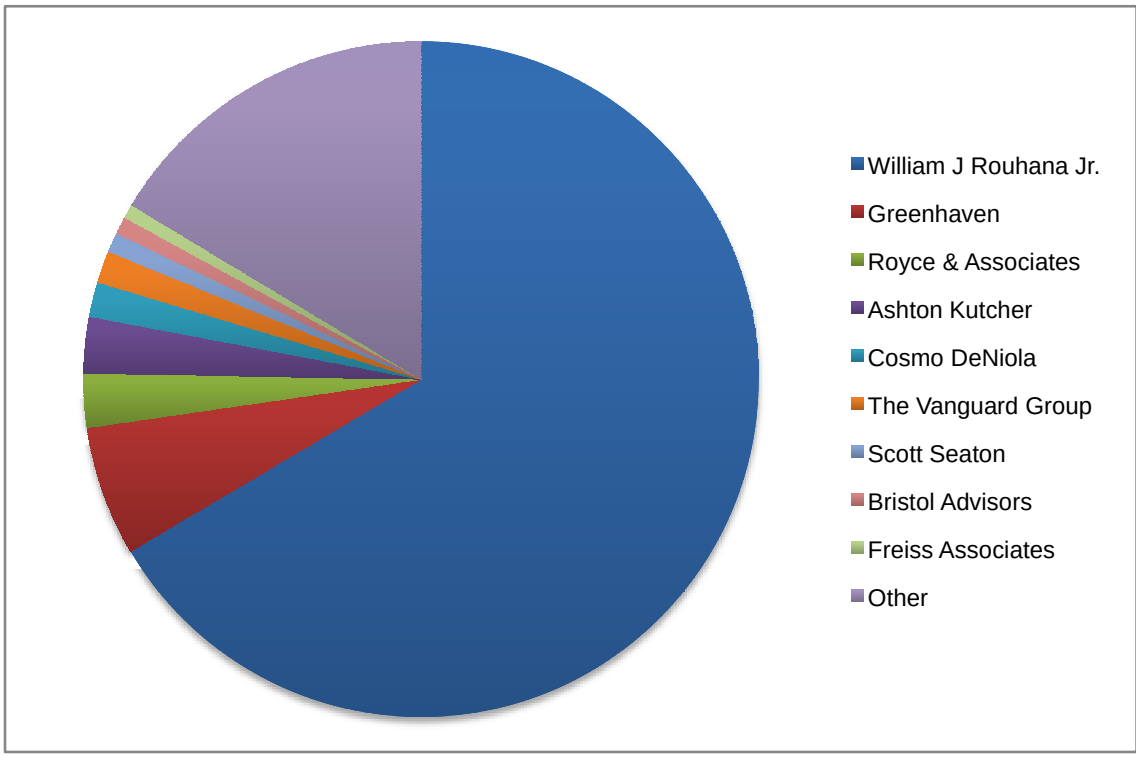
RISKS

- 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 new addition of the Crackle operation, 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	Pro Forma 31-Mar	Q2 2019E 30-Jun	Q3 2019E 30-Sep	Q4 2019E 31-Dec	2017	2018	Pro Forma 2018	2019E	2020E
Television & Short-form Video Production	$2.2	$0.3	$2.3	$5.4	$0.3	$0.3	$0.3	$3.5	$7.0	$7.2	$10.2	$10.2	$11.1	$13.0
Yr-to-yr Growth	66%	-56%	NA	3%	-85%	5%	5%	53%	31%	-6%	40%	-58%	10%	17%
Television & Film Distribution	3.2	2.0	2.5	5.4	1.5	1.5	2.0	4.0	5.0	2.9	13.2	13.2	12.5	17.0
Yr-to-yr Growth	NA	NA	NA	84%	-55%	-28%	-2%	59%	-7%	NA	349%	0%	-5%	36%
Online Networks	0.6	0.7	1.8	1.3	0.7	15.8	7.5	17.0	22.0	0.8	4.4	70.2	47.2	75.0
Yr-to-yr Growth	631%	689%	3591%	122%	17%	2077%	935%	850%	1637%	100%	454%	3410%	971%	59%
Total revenue	**6.1**	**3.1**	**6.6**	**12.0**	**2.5**	**17.6**	**9.8**	**24.5**	**34.0**	**11.0**	**27.8**	**93.5**	**70.8**	**105.0**
Yr-to-yr Growth	329%	286%	13483%	38%	-58%	474%	221%	272%	183%	35%	153%	139%	155%	168%
Less returns and allowances	(0.3)	(0.1)	(0.1)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.5)	(0.3)	(0.9)	(0.9)	(1.1)	(1.1)
Net Revenue	5.8	2.9	6.5	11.7	2.2	17.2	9.7	24.4	33.6	10.7	26.9	92.6	69.8	103.9
Cost of revenue without amortization	1.7	0.6	1.4	2.2	0.8	9.7	3.2	7.6	10.0	2.9	5.9	41.8	21.5	33.0
Gross Margin w/o amortization	4.4	2.4	5.1	9.9	1.4	7.5	6.6	17.0	24.0	7.8	21.0	50.8	49.3	72.0
Gross Margin %	73%	80%	78%	82%	57%	43%	67%	69%	71%	71%	76%	54%	70%	69%
Amortization of film library	1.5	1.2	1.0	2.8	0.9	0.9	2.0	2.0	3.0	1.4	6.5	6.5	7.9	10.0
Total cost of revenue	3.1	1.8	2.5	5.0	1.6	10.6	5.2	9.6	13.0	4.2	12.3	48.3	29.4	43.0
Gross profit	2.640	1.148	4.0	6.7	0.6	6.6	4.5	14.8	20.6	6.4	14.5	44.4	40.4	60.9
Gross Margin %	43%	38%	61%	56%	22%	38%	46%	60%	60%	58%	52%	47%	57%	58%
Operating expenses:														
SG&A (Ex-stock based comp)	2.395	1.9	1.8	3.7	2.6	3.7	5.0	7.3	8.0	2.6	9.8	18.2	22.9	32.0
Stock-based compensation	0.254	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.6	1.0	1.0	1.2	1.5
Amortization	0.024	0.0	0.1	0.1	0.2	1.3	0.2	0.2	0.2	0.0	0.3	4.5	0.8	0.8
Management and license fees due to affiliate	0.571	0.3	0.6	1.2	0.2	1.7	1.0	2.5	3.4	1.1	2.7	9.2	7.1	10.5
Total operating expenses	3.245	2.4	2.9	5.2	3.2	6.9	6.2	10.3	12.0	4.3	13.7	32.0	32.0	44.8
Operating income:	(0.605)	(1.2)	1.1	1.5	(2.7)	(0.3)	(1.8)	4.5	8.5	2.2	0.8	12.4	8.4	16.1
Operating margin	-10.0%	-40.3%	17.3%	12.5%	-106.4%	-1.5%	-18.0%	18.5%	25.1%	19.6%	2.8%	13.3%	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	0.0	0.0	0.1	0.1
interest expense	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.2)	(0.4)	(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)	(0.4)	0.0
Goodwill impairment expense						(4.1)						(8.8)	-	0.0
Gain from Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	0.0	0.0	0.0	0.0
Total other income	(0.067)	(0.1)	(0.3)	(0.3)	(0.526)	(4.2)	(0.1)	(0.1)	(0.1)	20.9	(0.7)	(9.5)	(0.5)	(1.1)
Income before income taxes	(0.7)	(1.3)	0.8	1.2	(3.2)	(4.5)	(1.9)	4.4	8.4	23.1	0.0	2.9	7.9	15.0
Pretax Margin	-11.0%	-43.4%	12.7%	10.1%	-127.2%	-25.6%	-19.3%	18.0%	24.8%	210.4%	0.1%	3.0%	11.2%	14.3%
Income taxes	0.2	0.1	0.5	0.1	(0.4)	1.2	(0.6)	1.1	2.4	(0.2)	0.9	0.5	2.5	4.5
Tax rate	-32%	-6%	61%	6%	14%	-27%	32%	26%	29%	-1%	3011%	18%	32%	30%
Profit before non-controlling						(3.3)						2.34	5.41	10.5
Minority income						(0.02)						0.04	0.02	(2.3)
Net income	(0.885)	(1.4)	0.3	1.148	(2.8)	(3.3)	(1.3)	3.3	6.0	23.3	(0.845)	2.301	5.4	8.3
Yr-over-Yr	562%	101%	-162%	-95%	213%	132%	-8%	907%	424%	2881%	-104%	-80%	-738%	53%
Preferred dividend	0.0	0.0	0.4	0.7	0.6	0.6	0.7	0.9	0.9	0.0	1.1	1.1	3.0	3.5
Net income to common shareholders	(0.9)	(1.4)	(0.1)	0.458	(3.4)	(3.9)	(2.0)	2.4	5.2	23.3	(2.0)	1.2	2.3	4.8
Stk based compensation	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.6	1.0	1.0	1.0	1.5
One-time expenses	(0.0)	0.0	(0.2)	1.5	0.4	4.1	0.0	0.0	0.0	(21.8)	1.3	10.1	0.4	-
Non-GAAP Income	(0.7)	(1.2)	(0.0)	2.2	(2.8)	0.4	(1.8)	2.6	5.5	2.1	0.3	12.2	3.7	6.3
Yr-over-Yr	78414%	282%	-89%	-22%	309%	-138%	54%	-7163%	152%	-9%	-88%	-11%	1363%	71%
Net income per share:														
Primary EPS	(0.09)	(0.12)	(0.01)	0.04	(0.28)	(0.32)	(0.17)	0.20	0.43	2.31	(0.16)	0.10	0.20	0.40
Diluted EPS	**(0.08)**	**(0.12)**	**(0.01)**	**0.04**	**(0.28)**	**(0.32)**	**(0.14)**	**0.15**	**0.32**	**2.28**	**(0.16)**	**0.10**	**0.16**	**0.30**
Non-GAAP EPS	(0.07)	(0.10)	(0.00)	0.18	(0.23)	0.04	(0.15)	0.22	0.45	0.21	0.02	1.02	0.26	0.39
	75493%	202%	-90%	-23%			48%	-6920%	146%					
Shares														
Basic	9.4	11.6	11.6	11.7	12.0	12.0	12.0	12.0	12.0	10.1	12.0	11.9	12.0	12.0
Yr-over-Yr	3.9%	26.6%	11.2%	0.8%	27.1%	3.4%	3.6%	3.6%	2.5%	13.9%	19.2%	-5.9%	0%	0%
Diluted	11.6	11.8	11.8	11.9	12.1	12.0	14.7	16.1	16.1	10.2	12.0	11.9	14.2	16.1
Yr-over-Yr	28.0%	29.3%	14%	-5%	4.1%	1.3%	24.7%	36%	35%	13.7%	17.3%	-5.9%	18%	13%
GAAP Adjusted EBITDA	1.649	0.411	3.117	6.123	(0.940)	2.700	1.542	3.117	13.088	4.0	11.3	26.0	18.3	30.4
EBITDA Margin										36.4%	40.7%	27.8%	26%	29%

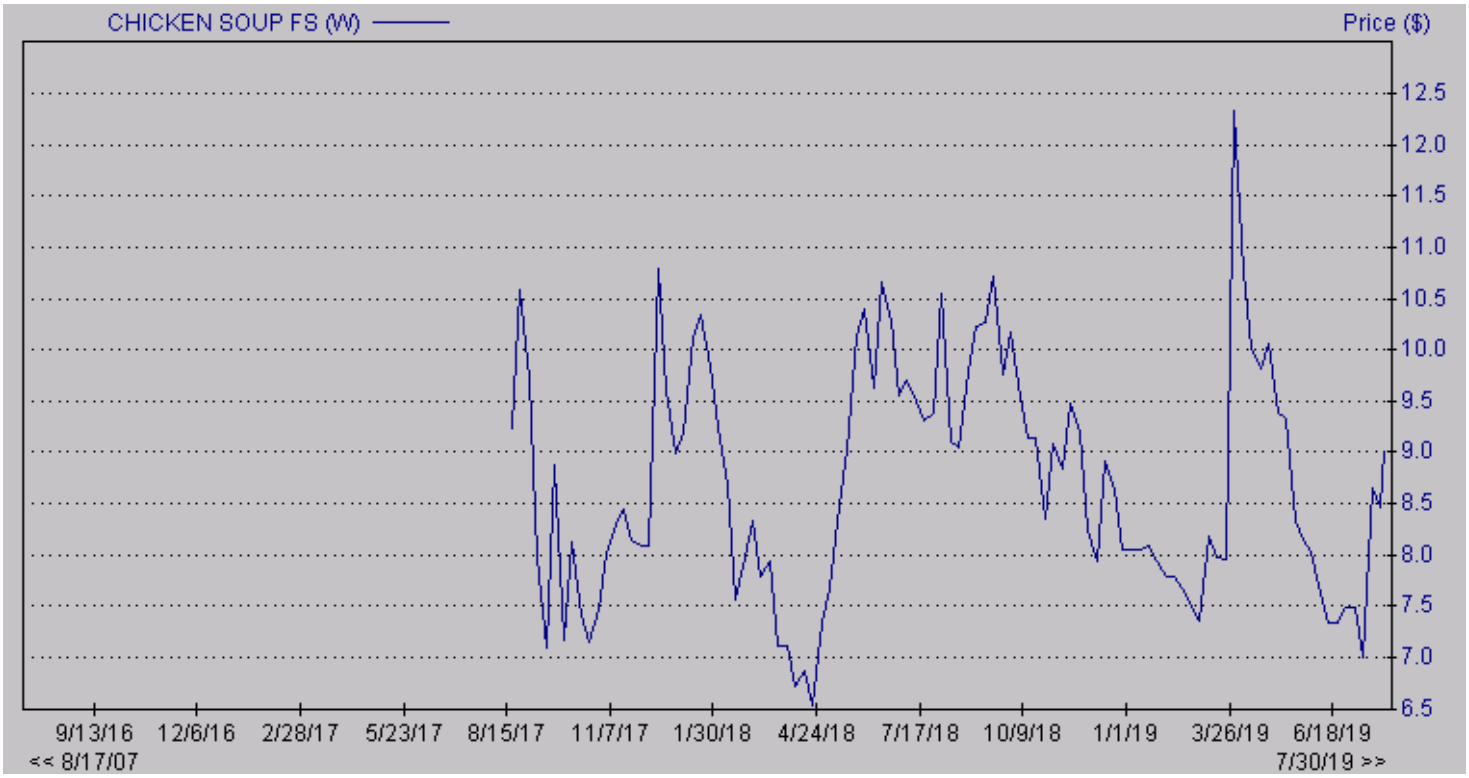
BALANCE SHEET

	Pro Forma Mar 31, 2019	Mar 31, 2019	Dec 31, 2018	Qtr-Qtr % Change	Mar 31, 2018	Yr-Yr % Change
Assets						
Cash and cash equivalents	$3,043,110	$3,043,110	$6,451,758	-52.8%	$1,751,689	74%
Restricted cash	$750,000	$750,000	750,000	0.0%	$0	NM
Accounts receivable, net	27,391,862	10,305,684	12,841,099	-19.7%	8,432,155	22%
Prepaid expenses	1,921,151	358,384	218,736	63.8%	239,637	50%
Inventory, net	286,601	286,601	262,068	9.4%	317,203	-10%
Current programming rights	2,516,101	0	0	0.0%	0	0%
Goodwill	62,259,857	2,537,079	2,537,079	0.0%	0	NA
Indefinate lived intangible assets	42,651,470	12,163,943	12,163,943	0.0%	0	NA
Intangible assets, net	23,755,266	2,780,505	2,971,637	-6.4%	0	NA
Intangible asset - video content license	0	0	0	NM	5,000,000	-100%
Prepaid distribution fees	0	0	0	NM	1,846,529	-100%
Other intangible asset	0	0	0	NM	125,000	-100%
Popcornflix film rights and other assets	0	0	0	NM	7,174,548	-100%
Film library, net	27,287,110	27,287,110	25,338,502	7.7%	22,258,060	23%
Due from affiliated companies	3,198,936	3,198,936	1,213,436	163.6%	6,003,404	-47%
Programming costs, net	12,876,296	12,876,296	12,790,489	0.7%	7,869,441	64%
Non-current programming rights	8,500,120	0	0	0.0%	0	0%
Deferred tax asset	917,000	917,000	452,000	102.9%	0	NM
Other assets, net	337,362	337,362	356,221	-5.3%	275,954	22%
Total assets	217,692,242	76,842,010	78,346,968	-1.9%	61,293,620	25%
Liabilities						
Current maturities of commercial loan	**1,000,000**	**1,000,000**	**1,000,000**	0.0%	**0**	NM
Current programming obligations	670,907	**0**	**0**	0.0%	**0**	0%
Non-current programming obligations	502,500	**0**	**0**	0.0%	**0**	0%
Commercial loan & revolving LOC, net	**6,347,578**	**6,347,578**	**6,582,113**	-3.6%	**0**	NM
Senior secured note payable to related party, net	**0**	**0**	**0**	0.0%	**1,700,000**	-100%
Accounts payable and accrued expenses	35,639,973	3,860,127	5,078,805	-24.0%	1,272,923	203%
Representation fees payable	1,018,603	0	0	0.0%	0	0%
Accrued programming costs	0	0	0	0.0%	591,326	-100%
Film library acquisition obligations	2,988,850	2,988,850	2,715,600	10.1%	185,600	1510%
Accrued participation costs	1,507,124	1,507,124	1,539,139	-2.1%	2,487,759	-39%
Other liabilities	64,107	64,107	414,506	-84.5%	148,110	-57%
Deferred tax liability, net	0	0	0	0.0%	552,000	-100%
Deferred revenue	12,938	12,938	6,469	100.0%	0	NM
Total liabilities	49,752,580	15,780,724	17,336,632	-9.0%	6,937,718	127%
Redeemable noncontrolling interest	51,672,531	0	0	0.0%	0	0%
Stockholder's equity						
Preferred stock	106	106	92	15.2%	0	NM
Class A Common stock	421	421	421	0.0%	375	12%
Class B Common stock	782	782	782	0.0%	786	-1%
Additional paid-in capital	125,159,422	62,788,256	59,360,583	5.8%	32,578,694	93%
Retained earnings	(8,260,871)	(1,095,550)	2,281,187	-148.0%	21,776,047	-105%
Class A common stock held in treasury	(632,729)	(632,729)	(632,729)	0.0%	0	NM
Total stockholders' equity	116,267,131	61,061,286	61,010,336	0.1%	54,355,902	12%
Total liabilities and stockholders' equity	217,692,242	76,842,010	78,346,968	-1.9%	61,293,620	25%
Cash as % of assets	1%	4%	8%	-51.9%	3%	39%
Cash per share	$0.33	$0.33	$0.60	-44.3%	$0.17	97%
Debt	$7,347,578	$7,347,578	$7,582,113	-3.1%	$1,700,000	332%
Debt % of assets	3%	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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