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Zacks Small-Cap Research

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Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

CSSE Shows Crackle How to *Go From Broke*

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 $19.50 per share.

Current Price (11/15/19)	$8.93
Valuation	**$19.50**

OUTLOOK

Chicken Soup for the Soul Entertainment has just closed a joint venture with Sony's Crackle channel making it one of the top two players in advertising supported video on demand (AVOD.) 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. Despite a rocky 2019, we expect this EBITDA to be upwards of $30 million in 2020 and increasing in future years.

SUMMARY DATA

52-Week High	**$12.36**
52-Week Low	**$7.02**
One-Year Return (%)	**-6.0**
Beta	**1.2**
Average Daily Volume (sh)	**15,300**
Shares Outstanding (mil)	**12.1**
Market Capitalization ($mil)	**$108**
Short Interest Ratio (days)	**23.1**
Institutional Ownership (%)	**19**
Insider Ownership (%)	**71**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**92.8**
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	**N/M**
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	$12.2 A	$17.0 A	$23.0 E	$67.7 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	-$0.49 A	-$1.11 A	-$0.31 E	-$1.87 E
2020					-$0.52 E

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WHAT'S NEW

CSSE Shows Crackle How to *Go From Broke*

Mirroring its new original content show *Going From Broke*, Chicken Soup for the Soul Entertainment has given Crackle a financial makeover and is on the cusp of bring an entity that was losing $50 million a year to sustainable profitable growth in a few short months. This huge undertaking was achieved by slashing original content spending and corporate overhead while attempting to smooth revenues and reducing production risk. No doubt one might expect a few bumps in the road.

Q3 2019 Results

Chicken Soup for the Soul Entertainment came in with Q3 results below forecasts presenting an opportunity for investors to get involved with the stock. CSSE the only public company other than Roku and Netflix with revenues almost entirely from OTT streaming. It also has a large market share in the AVOD business. It should benefit from the trend in cord cutting while avoiding taking fire in the subscription-based (SVOD) wars. No doubt it was unrealistic to expect that absorbing Crackle into Chicken Soup for the Soul Entertainment would be seamless. So no one should be surprised that Q3 results "missed expectations," which, in all honesty, were created with little insight into the future business model specifics. The Q3 2019 results just reported was of the first full quarter combined with Sony's Crackle. Revenues for the quarter were $17.0 million versus $6.6 million last year. From Q2 to Q3 there was a 40% sequential increase. Revenue was below expectations for two reasons: a technical problem with the Crackle app on Roku that was corrected before the quarter ended, and a delay of the acquisition of films in the Foresight Unlimited film library which delayed expected revenue recognition.

Online revenues, (which are now the numbers for the new Crackle Plus,) were reported as $14.4 million. In Q2, pro forma online revenues were $18.8 million, which means they declined 23% sequentially due to seasonality plus this technical issue that caused the new version of the Crackle app on Roku to keep crashing. The bug is believed to have lost $1 million in revenues for CSSE in Q3.



Distribution revenues were only $2.6 million compared to $2.5 million a year ago. Built into the Q3 forecast had been $4 million for presales for films acquired from the Foresight film library that was expected to close in Q3 but slipped to October 28, 2019, in Q4. Included in distribution revenues in Q3 was the movie, ***The Man Who Killed Don Quixote*** that was released on April 10th in theatres. Box Office Mojo says it grossed $392,000 at the US box office and $1.9 million internationally. The company also expects to make another $1-$4 million in revenues from streaming in Q4. It was released on Crackle last week.

Source: Chicken Soup for the Soul Entertainment

Q3 Expenses

Expenses were also higher than forecast. Gross margin before amortization of the film library declined from 78% to 28% for the quarter. After amortization, gross margin was down from 61% to 19%. Management believes this is temporary due to the revenue mix which was heavy on lower margin online revenues, and that margins will go back up to their historical rates in future quarters.

Operating expenses grew from $2.9 million in Q3 2018 to $34.6 million this year (with a full quarter of Crackle.) This was up $2.6 sequentially on a pro forma basis. While SG&A did go up due to a full quarter of

Crackle and increased advertising, the biggest surprise was **amortization**, which was the greatest cause of the earnings miss. This number was an unexpected $4.7 million. Management had originally thought that the value for the Crackle brand would have an unlimited life, but the auditors decided on seven years making that number alone $3.4 million higher than expected. We expect that it should stay at or near the $4.7 million level. This difference of course does not affect EBITDA, the metric on which the company is being run.

The operating loss was $9.6 million compared to a profit of $1.1 million last year. The operating loss reflects certain non-cash or one-time expenses including $4.7 million in non-cash amortization and $1.4 million in film library amortization. If such expenses were excluded from SG&A or cost of revenue, CSSE would have reported quarterly operating loss of $2.7 million.

Other income this year was an expense of $1.6 million compared to $299,000 last year. Most of it was $1.1 million in one-time acquisition related expenses.

The company paid $1.2 in taxes, versus $512,000 last year. CSSE has a tax loss carry forward of approximately $24 million.

Net income to common shareholders for the year was a loss of $13.4 million, versus a loss of $98,000 on a GAAP basis.

The GAAP loss per share for Q3 2019 was $1.11 versus a loss $0.01 a year ago. On a non-GAAP basis with one-time items and stock based compensation removed, the EPS loss was **$1.18 in Q3 2019 versus breakeven in Q3 2018**. Shares outstanding increased to 12.0 million versus 11.6 million last year or 3.6%.

Adjusted EBITDA for the quarter was a loss of $372,000 versus $3.1 million a year ago. The company expects to be adding cash next quarter and going forward.

Balance Sheet

CSSE ended the quarter with $6.2 million in cash and $15.8 million in debt compared to $4.5 million and $7.1 million in the June quarter. Since then it has been generating cash and as of November 13th, it had $10 million in cash on hand.

Subsequent Events

Creation of Landmark Studio Group

On Oct. 15, 2019 CSSE launched of Landmark Studio Group in partnership with David Ozer. David founded IDW Entertainment and was its president from 2013-2018, where he developed, produced, and distributed content for a global audience. Ozer is credited with its two most prominent series: Wynonna Earp for Syfy, and Dirk Gently for BBC America. He also oversaw the development of Locke & Key and V-Wars for Netflix. Before that he was EVP of television at Starz Media, SVP of domestic television at RHI Entertainment, head of worldwide distribution at Sonar, SVP of sales at DIC Entertainment, and VP of sales at Sony Pictures Television. Landmark is headquartered in NYC (where Screen Media is) with offices in Los Angeles. Ozer will be the CEO, and CSSE and Cole Strategic Partners will fund it. Landmark will develop, produce, distribute, and own all of its content. It will be independent, and be able to sell its content to any network or platform, while also developing and producing original content for Crackle. Landmark will control all worldwide rights and will distribute through Screen Media division. In addition to producing various stand-up comedy specials and animated series, Landmark has several television and film projects in development, including:

- The Fix - A scripted drama series that explores the most explosive story of sports corruption in a generation based on the book by Declan Hill.
- The History of Gangster Rap - A documentary series based on the bestselling book by Soren Baker, who serves as producer along with Jorge Hinojosa and Ice-T, and features Dr. Dre, Snoop Dogg, Ice Cube and others.

- Safehaven - A supernatural horror series based on the graphic novel about a female comic book artist whose drawings come alive to haunt her. It is directed by Brad Turner (Homeland, 24)

Launch of *Going From Broke*

Its original content, the episode series *Going From Broke,* produced by Ashton Kutcher, launched October 17th and had 5 million views in only four weeks. The series has already generated at an estimated $0.5 million in ad revenue on Crackle to date. The series has been highly profitable for CSSE as the full production costs were paid for by the corporate sponsors. Despite its success, there has been no decision made as to whether any more episodes will be produced.



Source: Chicken Soup for the Soul Entertainment

Purchase of Foresight Unlimited Films

On October 28th, CSSE completed the purchase of films from Foresight Unlimited and owner and producer Mark Damon. These assets, purchased for $2 million in cash, included 14 completed motion pictures and 2 motion pictures that are or will be in production. In addition, Screen Media Ventures created a new Foresight Division to be led by Mark Damon. In addition to the cash, during each of the two years following closing, Mr. Damon will $900,000 per year of Class A common and can earn more based on performance.

The biggest hit in this library of is *Lone Survivor*. The fourteen films are:

And So It Goes: (2014) Michael Douglas, Diane Keaton. Directed by Rob Reiner.
Beyond A Reasonable Doubt: (2009) Michael Douglas, Jesse Metcalfe, and Amber Tamblyn. Directed by Peter Hyams.
Blind: (2017) Demi Moore, Alec Baldwin, and Dylan McDermott. Directed by Michael Mailer.
Captivity: (2007) Elisha Cuthbert and Daniel Gillies. Directed by Roland Joffe.
Flypaper: (2011) Patrick Dempsey, Ashley Judd. Directed by Rob Minkoff.
Hurricane Heist: (2018) Toby Kebbell, Maggie Grace, and Ryan Kwanten. Directed by Rob Cohen.
Last Full Measure: (2020) Samuel L. Jackson, Bradley Whitford, Sebastian Stan, and Ed Harris. Directed by Todd Robinson. Release date January 17, 2020.
Ledge: (2011) Charlie Hunnam, Terrence Howard, Liv Tyler, and Patrick Wilson. Directed by Matthew Chapman.
Lone Survivor: (2013) Mark Wahlberg, Taylor Kitsch, and Emile Hirsch. Directed by Peter Berg.
2 Guns: (2013) Denzel Washington, Mark Wahlberg. Directed by Baltasar Kormakur.

Universal Soldier 3 (Regeneration): (2009) Jean-Claude Van Damme and Dolph Lundgren. Directed by John Hyams.
Universal Soldier 4 (Day of Reckoning): (2012) Jean-Claude Van Damme and Dolph Lundgren. Directed by John Hyams.
The Other Story: (2018) Hebrew. Joy Rieger and Sasson Gabai. Directed by Avi Nesher.
We Die Young: (2019) Jean-Claude Van Damme, David Castaneda, and Elijah Rodriguez. Directed by Lior Geller.
Upcoming film projects:
Best Sellers: Michael Caine set to go into production in December
Wally's Wonderland: Nick Cage, set to start filming in January.

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 Plus 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 Plus 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 grows 20% for the year, which we imagine to be conservative. Our EPS estimate has been revised down due to the increased number for amortization. It is now a GAAP loss of $1.80 per share, however the adjusted EBITDA estimate of $30 million remains the same.

KEY POINTS

- Chicken Soup for the Soul Entertainment new joint venture with Sony's Crackle OTT channel could propel it over the $55 million revenue mark this year. If all goes to plan, the company hopes ultimately to earn 25% EBITDA margins by cutting unprofitable activities such as content production at Crackle, as well as redundancies.

- The company is exploring a way to expand its original content production with little to no risk by creating a production company in which CSSE participates in AVOD rights. To date it had been using a model that locked in profits even before production starts by selling a series to a sponsor that covered production costs. CSSE produced original content and corporate advertisers or foundations fund production of its shows in exchange for either making their product part of the story or promoting an idea they endorse. 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, an SVOD technology platform through Pivotshare, and the scale to be a major player in AVOD, CSSE can now attract large advertisers and larger content libraries to Crackle. Its business model should allow it to generate high EBIDTA and expanding margins.

- Our 2020 revenue estimate is $105 million. Our valuation for the company is $19.50 per share, based on estimated EBITDA in 2020 of $30 million and an EBITDA multiple of 10.9X.

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 and pet food. It went public on NASDAQ on July 17, 2017, raising $30 million. CSSE has a perpetual license to use the Chicken Soup for the Soul brand and its content for use in video. The company produced its first television series *Hidden Heroes* starting in 2015. 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* was released in October as a Crackle exclusive. Screen Media, the company's film and distribution subsidiary, allows the company to distribute its own content saving a 30% distribution fee; It also allows the company to obtain film and television shows on its networks cost effectively. The acquisition of Pivotshare added the capability of easily launching targeted subscription-based channels and the December purchase of the remaining portion of A+ should save CSSE $5 million in marketing costs this 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 eight OTT streaming channels: *Crackle*, *A Plus, Popcornflix, Popcornflix Kids, Popcornflix Comedy, Espanolflix, Frightpix*, and *Truli,* all of which have been 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 10.9 times EV/EBITDA. Using 2020 EBITDA of $30 million and shares of 16 million, that would be **$19.50 per share.**

Looking at it from enterprise value to sales, the group trades at an average of 5.3 times estimated 2020 sales. Using this CSSE could be worth $478 million enterprise value or **$34.00 per share**.

	Ticker	Revenue			TTM	Enterprise Value / Sales			EV/	Included	Enterprise
Company		2020E	2019E	LTM	EBITDA	2020E	2019E	LTM	EBITDA	Average?	Value
DISH	DISH	$12,120	$12,700	$12,870	$2,480	2.6x	2.4x	2.4x	12.5x	y	30,940
Entertainment One*	ENTMF	NA	NA	$1,202	$252	NA	NA	2.9x	13.9x	y	3,520
Wildbrain	DHXM	NA	NA	$332	$61	NA	NA	0.5x	2.9x	y	174
Gaia	GAIA	$69	$54	$53	-$17	2.5x	3.2x	3.3x	-10.2x	y	173
Lionsgate	LGF-A	NA	$3,820	$3,790	$369	NA	1.4x	1.4x	14.5x	y	5,340
Netflix	NFLX	$24,560	$20,130	$18,880	$2,460	5.6x	6.9x	7.3x	56.3x	y	138,400
Roku	ROKU	$1,560	$1,110	$993	-$32	11.7x	16.5x	18.4x	-562.8x	y	18,260
WWE	WWE	$1,240	$975	$910	$137	3.9x	5.0x	5.4x	35.7x	y	4,880
* acquired by Hasbro											
Average					**796.1**	**5.3x**	**5.9x**	**5.2x**	**10.9x**		**$25,211**

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. 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 $117 million. Pluto TV announced that it had 20 million active users in October 2019 up from 12 million subscribers in January 2019 when Viacom purchased it.

Hasbro is in the process of buying Entertainment One, the Canadian indie studio for $4 billion in cash. In the year ending March 31, 2019, the company reported revenues of $1.2 billion. This purchase price is 3.3 times those revenues.

RISKS

- The company is new, and to date has only produced a handful of series. In addition, it has just created new ventures to produce content. There is no assurance the company's business model will produce positive returns for the company. Producers 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.

- Its acquisition of the Crackle Plus joint venture may not play out as expected and may ultimately require capital investment to grow.

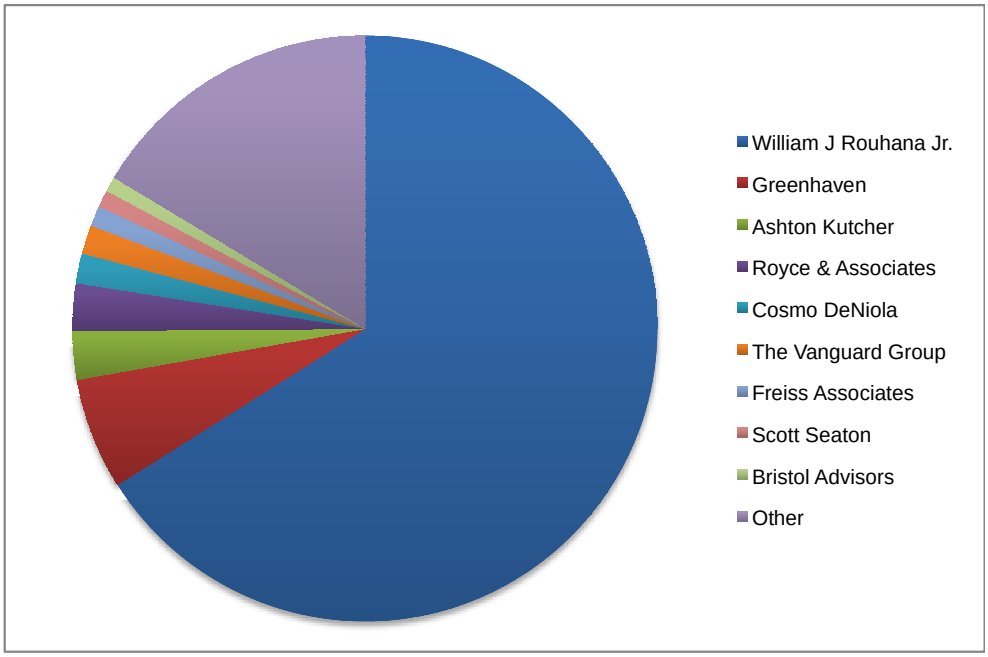
- The ownership structure gives common shareholders little say in the governance of the company. CEO Bill Rouhana controls most the total voting power through ownership of class B common stock, with each class B share entitled to 10 votes.

- 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. It is somewhat dependent on the timing of content releases and acquisitions of content. The new addition of the Crackle 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.



Source: Zacks Investment Research, data SEC filings

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 2019 30-Jun	Q3 2019 30-Sep	Q4 2019E 31-Dec	2018	2019E	2020E
Television & Short-form Video Production	$2.2	$0.3	$2.3	$5.4	$0.3	$0.2	$0.0	$0.0	$10.2	$0.6	$0.0
Yr-to-yr Growth	65.8%	-56.3%	NA	2.7%	-85%	-26%	-98%	-100%	40%	-94%	-100%
Television & Film Distribution	3.2	2.0	2.5	5.4	1.5	2.0	2.6	7.0	13.2	13.1	30.0
Yr-to-yr Growth	NA	NA	NA	84%	-55%	-3%	4%	30%	349%	-1%	130%
Online Networks	0.6	0.7	1.8	1.3	0.7	10.0	14.4	16.0	4.4	41.1	75.0
Yr-to-yr Growth	631%	689%	3591%	122%	16.5%	1281%	704%	1163%	454%	832%	82%
Total revenue	**6.1**	**3.1**	**6.6**	**12.0**	**2.5**	**12.2**	**17.0**	**23.0**	**27.8**	**54.8**	**105.0**
Yr-to-yr Growth	329%	286%	13483%	38%	-58%	299%	159%	91%	153%	97%	168%
Less returns and allowances	(0.3)	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.3)	(0.5)	(0.9)	(1.3)	(1.3)
Net Revenue	5.8	2.9	6.5	11.7	2.2	12.0	16.8	22.6	26.9	53.5	103.7
Cost of revenue without amortization	1.7	0.6	1.4	2.2	0.8	4.2	12.2	9.5	5.9	26.7	44.3
Gross Margin w/o amortization	4.4	2.4	5.1	9.9	1.4	8.0	4.8	13.5	21.0	28.1	60.8
Gross Margin %	72.6%	79.8%	78.2%	82.0%	56.7%	65.6%	28.2%	58.7%	75.6%	51.2%	57.9%
Amortization of film library	1.5	1.2	1.0	2.8	0.9	1.6	1.4	2.0	6.5	5.8	10.0
Total cost of revenue	3.1	1.8	2.5	5.0	1.6	8.3	13.6	11.5	12.3	35.1	54.3
Gross profit	2.640	1.148	4.0	6.7	0.6	3.6	3.2	11.1	14.5	18.4	49.5
Gross Margin %	43.4%	37.5%	60.8%	55.9%	22.2%	29.9%	18.6%	48.0%	52.3%	33.7%	47.1%
Operating expenses:											
SG&A (Ex-stock based comp)	2.4	1.9	1.8	3.7	2.6	4.4	6.1	5.6	9.8	18.7	22.3
Stock-based compensation	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.4	1.0	1.1	1.4
Amortization	0.0	0.0	0.1	0.1	0.2	0.7	4.7	4.7	0.3	10.3	18.8
Management and license fees due to affiliate	0.6	0.3	0.6	1.2	0.2	1.2	1.7	2.3	2.7	5.4	10.5
Total operating expenses	3.2	2.4	2.9	5.2	3.2	6.6	12.7	12.9	13.7	35.5	53.0
Operating income:	(0.6)	(1.2)	1.1	1.5	(2.7)	(3.0)	(9.6)	(1.9)	0.8	(17.1)	(3.5)
Operating margin	-10.0%	-40.3%	17.3%	12.5%	-106.4%	-24.4%	-56.1%	-8.1%	2.8%	-31.2%	-3.3%
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
Interest expense	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.4)	(0.7)	(0.8)
Loss on extingusihment of debt	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	0.0	0.0	(0.4)	0.0
Acquisition related costs	(0.0)	0.0	(0.2)	(0.2)	(0.4)	(2.3)	(1.1)	0.0	(0.4)	(3.7)	0.0
Goodwill impairment expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain from Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other income	(0.1)	(0.1)	(0.3)	(0.3)	(0.5)	(2.4)	(1.6)	(0.2)	(0.7)	(0.6)	(0.8)
Income before income taxes	(0.7)	(1.3)	0.8	1.2	(3.2)	(5.4)	(11.2)	(2.1)	0.0	(17.7)	-4.2
Pretax Margin	-11.0%	-43.4%	12.7%	10.1%	-127.2%	-44.0%	-65.6%	-8.9%	0.1%	-32.4%	-4.0%
Income taxes	0.2	0.1	0.5	0.1	(0.4)	(0.3)	1.2	-	0.9	0.6	(1.3)
Tax rate	-32%	-6%	61%	6%	14%	5%	-11%	0%	3011%	-3%	30%
Profit before non-controlling	(0.9)	(1.4)	0.3	1.1	(2.8)	(5.1)	(12.4)	(2.1)		(18.29)	(3.0)
Minority income	0.0	0.0	0.0	0.0	0.0	0.00	(0.0)	(0.0)		0.02	0.6
Net income	(0.9)	(1.4)	0.3	1.148	(2.8)	(5.1)	(12.4)	(2.1)	(0.845)	(18.3)	(2.3)
Yr-over-Yr	562%	101%	-162%	-95%	213%	264%	-3927%	-279%	-104%	2067%	-87%
Preferred dividend	0.0	0.0	0.4	0.7	0.6	0.8	0.9	1.0	1.1	3.3	3.9
Net income to common shareholders	(0.9)	(1.4)	(0.1)	0.458	(3.4)	(5.9)	(13.4)	(3.0)	(2.0)	(21.6)	(6.2)
Stk based compensation	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.4	1.0	1.1	1.4
One-time expenses	(0.0)	0.0	(0.2)	1.5	0.4	3.5	1.1	0.0	1.3	4.9	-
Non-GAAP Income	(0.7)	(1.2)	(0.0)	2.2	(2.8)	(2.2)	(12.0)	(2.7)	0.3	(15.5)	(4.8)
Yr-over-Yr	78414%	282%	-89%	-22%	309%	87%	32132%	-224%	-88%	-6259%	-69%
Net income per share:											
Primary EPS	**(0.09)**	**(0.14)**	**(0.01)**	0.04	**(0.28)**	**(0.49)**	**(1.11)**	**(0.25)**	**(0.16)**	**(1.80)**	**(0.52)**
Diluted EPS	(0.09)	(0.14)	(0.01)	**0.04**	(0.28)	(0.49)	(1.06)	(0.24)	(0.16)	(1.80)	(0.49)
Non-GAAP EPS	(0.07)	(0.12)	(0.00)	0.18	(0.23)	(0.18)	(1.00)	(0.22)	0.02	(1.24)	(0.38)
Shares											
Basic	9.4	9.8	11.6	11.7	12.0	12.0	12.0	12.1	12.0	12.0	12.1
Yr-over-Yr	3.9%	7.2%	11.2%	0.8%	27.1%	22.2%	3.6%	3.3%	19.2%	0%	1%
Diluted	11.6	11.8	11.8	11.9	12.1	14.8	12.6	12.6	12.0	12.6	12.6
Yr-over-Yr	28.0%	29.3%	13.5%	-4.5%	4.1%	24.9%	6.3%	6.0%	17.3%	5%	1%
GAAP Adjusted EBITDA	1.649	0.411	3.117	6.123	(0.940)	1.277	(0.372)	7.256	11.3	7.2	30.0
EBITDA Margin	27.1%	13.4%	47.3%	50.9%	-37.2%	10.5%	-2.2%	31.5%	40.7%	13%	29%

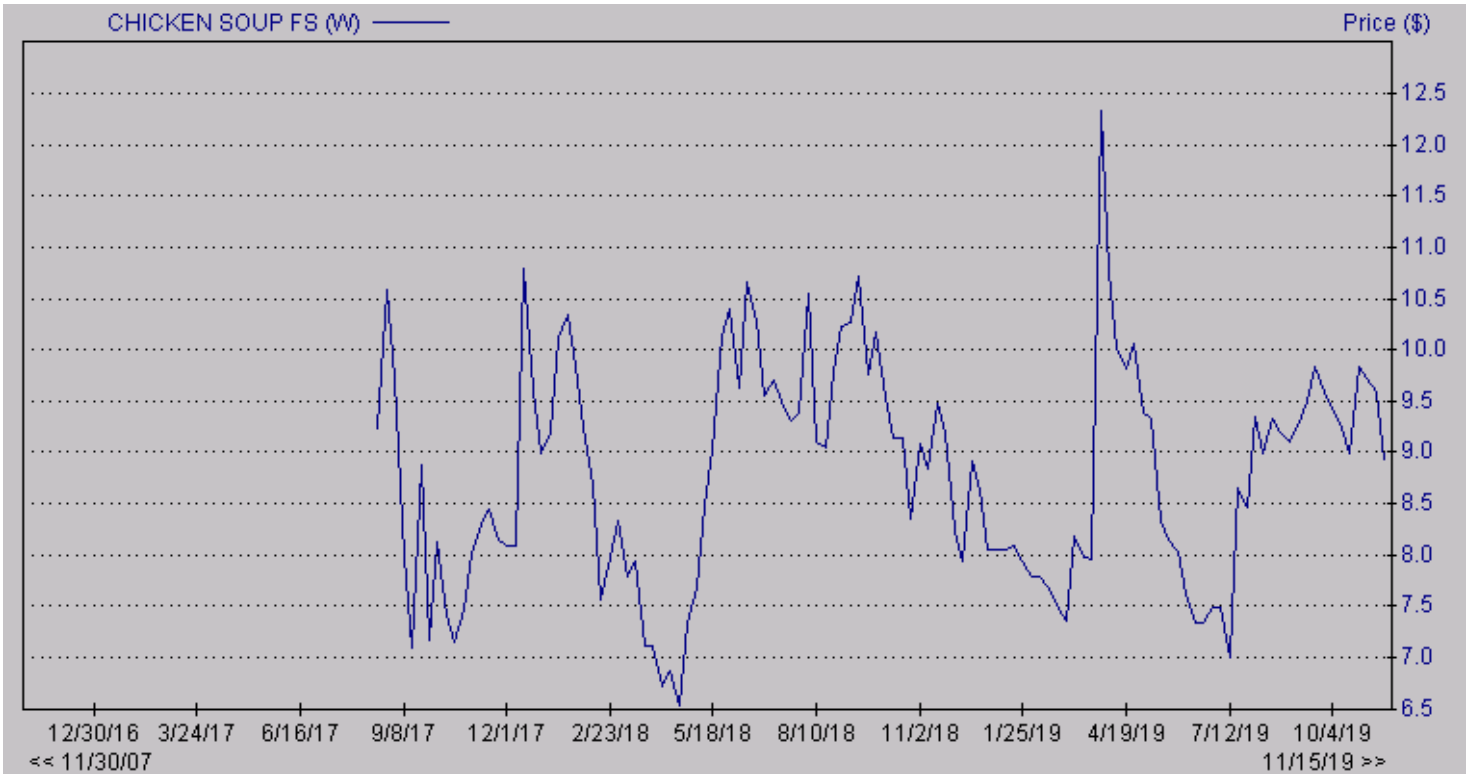
BALANCE SHEET

	Sept 30, 2019	June 30, 2019	Qtr-Qtr % Change	Sept 30, 2018	Yr-Yr % Change
Assets					
Cash and cash equivalents	**$6,194,964**	**$4,455,013**	39.1%	**$11,511,534**	-46.2%
Restricted cash	0	750,000	-100.0%	750,000	-100.0%
Accounts receivable, net	27,731,931	19,722,755	40.6%	8,783,079	215.7%
Prepaid expenses	1,117,969	1,459,473	-23.4%	425,267	162.9%
Inventory, net	291,917	273,623	6.7%	291,667	0.1%
Goodwill	17,466,681	12,466,680	40.1%	NA	NM
Indefinate lived intangible assets	12,163,943	42,651,470	-71.5%	NA	NM
Intangible assets, net	47,081,028	23,039,766	104.3%	NA	NM
Prepaid distribution fees	0	0	0.0%	1,728,425	-100.0%
Other intangible asset	0	0	0.0%	4,373,139	-100.0%
Popcornflix film rights and other assets	0	0	0.0%	7,174,548	-100.0%
Film library, net	31,997,384	31,179,409	2.6%	25,120,465	27.4%
Due from affiliated companies	7,010,065	5,111,923	37.1%	6,713,467	4.4%
Programming costs, net	13,961,506	14,015,404	-0.4%	9,767,574	42.9%
Programming rights	826,567	981,830	-15.8%	0	NM
Deferred tax asset	0	1,253,000	-100.0%	NA	NA
Other assets, net	316,878	322,873	-1.9%	410,105	-22.7%
Total assets	171,160,833	157,683,219	8.5%	82,049,270	108.6%
Liabilities					
Current maturities of commercial loan	**3,200,000**	**1,000,000**	220.0%	**0**	NM
Commercial loan & revolving LOC, net	**12,611,197**	**6,121,411**	106.0%	**6,883,926**	83.2%
Accounts payable and accrued expenses	19,792,234	18,449,712	7.3%	2,273,970	770.4%
Ad representation fees payable	8,421,104	3,772,084	123.2%	0	NM
Film library acquisition obligations	5,735,100	5,553,100	3.3%	2,501,100	129.3%
Programming obligations	6,005,154	7,300,862	-17.7%	0	NM
Accrued participation costs	1,308,575	1,114,157	17.4%	1,961,384	-33.3%
Other liabilities	5,142,105	147,107	3395.5%	449,451	1044.1%
Deferred tax liability, net	0	0	0.0%	1,112,000	-100.0%
Deferred revenue	0	0	0.0%	634,800	-100.0%
Total liabilities	62,215,469	43,458,433	43.2%	15,816,631	293.4%
Stockholder's equity					
Preferred stock	160	134	19.4%	78	105.1%
Class A Common stock	425	423	0.5%	385	10.4%
Class B Common stock	782	782	0.0%	782	0.0%
Additional paid-in capital	88,077,143	84,995,345	3.6%	46,196,504	90.7%
Subsidiary convertible preferred stock	36,350,000	36,350,000	0.0%	0	NM
Retained earnings	(20,335,402)	(7,011,627)	190.0%	20,667,619	-198.4%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	(632,729)	0.0%
Total stockholders' equity	103,460,379	113,702,328	-9.0%	66,232,639	56.2%
Noncontrolling interests	484,985	522,458	-7.2%	0	NM
Total equity	103,945,364	114,224,786	-9.0%	66,232,639	56.9%
Total liabilities and stockholders' equity	165,675,848	157,683,219	5.1%	82,049,270	101.9%
Cash as % of assets	4%	3%	28.1%	14%	-74.2%
Cash per share	$0.52	$0.37	40.8%	$1.27	-58.7%
Debt	$15,811,197	$7,121,411	122.0%	$6,883,926	129.7%
Debt % of assets	8%	4%	96.1%	8%	-9.3%

CASH FLOW

	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	3 Mo Ended Jun 30, 2019	3 Mo Ended Sep 30, 2019
Cash flows from operating activities:									
Net income	21,081,283	(562,453)	(1,433,282)	324,852	825,911	(844,972)	(2,773,430)	(5,117,583)	(12,431,861)
Adjustments to reconcile net income to net cash provided by operating activities:									
Share-based compensation	638,258	254,195	239,005	243,592	216,896	953,688	215,847	275,097	303,205
Amortization of programming costs	2,973,399	770,401	80,100	658,716	1,243,229	2,752,446	61,798	208,173	181,079
Amortization of deferred financing costs	43,747	-	14,290	21,435	21,436	57,161	25,823	25,824	20,416
Amortization of debt discount	865,833	-	-	-	-	-	-	-	-
Amortization of fixed assets &acq intangibles	9,819	13,033	13,033	13,034	287,886	326,986	205,623	729,991	4,695,522
Amortization of film library	1,378,869	1,454,140	1,168,392	1,033,983	2,802,916	6,459,431	871,126	1,389,735	1,214,610
Amortization of acquired assets	-	-	-	125,452	(125,452)	-	-	-	-
Bad debt expense	112,568	87,632	52,519	(140,151)	1,222,032	1,222,032	300,403	218,112	722,728
Provision for returns and allowances	-	-	445,994	268,512	(714,506)	-	-	-	-
Impairment of programming costs	21,121	-	-	-	-	-	-	-	-
Loss on debt extinguishment	24,803	-	-	-	-	-	-	-	350,691
Gain on purchase of Screen Media	(24,321,747)	-	-	-	-	-	-	-	-
Deferred income taxes	(725,000)	295,000	73,000	487,000	(482,000)	373,000	(465,000)	(336,000)	1,253,000
Change in operating assets and liabilities:									
Trade accounts receivable	(4,864,303)	(461,435)	318,444	(1,281,327)	(4,565,546)	(5,989,864)	2,235,012	(9,635,183)	(8,731,904)
Prepaid expenses and other current assets	163,972	(11,492)	(7,708)	(148,784)	206,530	38,546	(135,279)	(1,101,092)	333,010
Inventory	(25,656)	51,761	(159,920)	185,457	29,598	106,896	(24,533)	12,978	(18,294)
Programming costs and rights	(6,732,930)	(773,132)	(1,632,434)	(1,595,841)	(4,266,144)	(8,267,551)	(147,605)	(1,347,281)	(127,181)
Film library	(1,094,363)	(1,056,556)	(2,902,872)	(2,161,907)	(3,020,953)	(9,142,288)	(2,819,734)	(5,282,034)	(2,032,585)
Popcornflix film rights and other assets	-	(10,605)	-	-	10,605	-	-	-	-
Prepaid distribution fees	-	46,277	97,351	20,754	(164,382)	-	-	-	-
Other assets	(463,822)	41,000	(91,643)	56,863	89,049	95,269	-	-	-
Accounts payable and accrued expenses	(682,879)	268,534	(83,861)	413,402	2,768,068	3,366,143	(1,218,678)	15,483,287	3,533,202
Film library acquisition obligations	(60,200)	(477,800)	2,055,000	260,500	214,500	2,052,200	273,250	2,564,250	182,000
Accrued participation costs	482,435	(132,659)	38,275	(564,650)	(422,244)	(1,081,278)	(32,015)	(392,967)	194,418
Other liabilities	(66,314)	3,577	(42,728)	344,069	(34,944)	269,974	(350,400)	83,001	(5,002)
Income taxes payable	-	-	-	-	-	-	-	-	-
Deferred revenues	443,572	(515,000)	900,000	(265,200)	(628,331)	(508,531)	6,469	(12,938)	-
Net cash used by operating activities	(10,797,535)	(715,582)	(859,045)	(1,700,239)	(4,485,846)	(7,760,712)	(3,771,323)	(2,234,630)	(10,362,946)
Cash flows from Investing activities:									
Business acquisition, net	(4,683,814)	-	-	40,310	150,277	190,587	-	-	-
Purchase of video content license from affiliate	-	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)	(1,912,987)	(1,898,142)
Net cash used in investing activities	(8,876,735)	125,225	(740,131)	70,378	(3,605,343)	(4,149,871)	(1,985,500)	(1,912,987)	(1,898,142)
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)	-	(500,000)	500,000
Proceeds from sr secured term loan and revolv.	-	-	7,500,000	(7,500,000)	-	-	-	-	8,665,000
Repayments of sr secured loan and revolver	-	-	(83,333)	(250,001)	(250,000)	(583,334)	(260,358)	260,358	(666,667)
Proceeds from revolving credit facility	-	200,000	(200,000)	-	-	-	-	-	-
Repayments of revolving credit facility	-	-	-	-	-	-	-	-	-
Prepayment of deferred financing cost	-	(30,000)	30,000	-	-	-	-	-	-
Payment of stock issuance cost	(2,949,805)	-	(1,114,779)	(146,869)	(694,745)	(1,956,393)	(288,160)	(538,295)	(663,251)
Proceeds from issuance of common stock under equity plans								160,161	-
Payment of deferred financing costs	-	-	(313,258)	(37,500)	(40,956)	(391,714)	-	(12,348)	(179,656)
Proceeds from Series A preferred stock	-	-	15,000,000	1,092,680	3,519,758	19,612,438	3,500,000	6,987,625	6,525,000
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)	(797,981)	(929,387)
Proceeds from notes payable	2,030,000	-	-	-	8,500,000	8,500,000	-	-	-
Repayments of notes payable	(4,082,000)	-	-	7,500,000	(7,500,000)	-	-	-	-
Proceeds from common stock in IPO	26,903,348	-	-	-	-	-	-	-	-
Proceeds from common stock in Private Plac.	1,413,400	-	-	-	-	-	-	-	-
Net cash provided by financing activities	21,334,943	170,000	18,685,901	(4,947,018)	3,280,473	16,939,356	2,348,175	5,559,520	13,251,039
Net change - cash	1,660,673	(420,357)	17,086,725	(6,576,879)	(4,810,716)	5,028,773	(3,408,648)	1,411,903	989,951
Cash, beginning of quarter	512,313	4,147,920	3,727,563	20,814,288	12,261,534	2,172,985	7,201,758	3,793,110	5,205,013
Cash, end of period	2,172,986	3,727,563	20,814,288	14,237,409	7,450,818	7,201,758	3,793,110	5,205,013	6,194,964
Supplemental information:									
Interest paid	298,048	16,268	54,081	57,329	155,654	267,064	117,453	120,739	256,142
Income taxes paid	52,000	-	-	-	-	-	-	-	-
Cash Flow	2,102,953	2,311,948	653,051	3,036,425	5,298,348	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)
Free cash flow	2,102,953	2,437,173	527,826	3,036,425	5,298,348	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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