January 22, 2020

Zacks Small-Cap Research

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Jerrick Media Holdings, Inc. (JMDA-OTC)

INITIATING COVERAGE

JMDA: Solving problems for the most important stakeholders on the internet: the creative community, their audience, and the brands that want access to them

Based on an industry standard range of 7-21x, enterprise value to sales, Jerrick common stock could be valued at between $62 - $190 million by 2021.

Current Price (01/17/20)	$4.00
Valuation	**$13.00**

OUTLOOK

After five years of building its Vocal platform, Jerrick is aiming to disrupt the digital media and publishing platform space. Its CMS technology, built from scratch from an open-source framework called *Keystone,* was created in tandem with renowned development company, Thinkmill, led by founder Jed Watson. Vocal enables creators to publish media-rich digital content in a safe and secure environment that allows maximum visibility and the opportunity to be rewarded for their content. Its revenue is generated by creator and brand subscriptions. Vocal does not charge readers and, crucially, is not reliant on the diminishing value proposition of intrusive display advertising. Through a uniquely low-cost infrastructure and scalable business model, we expect this new technology platform to scale profitably, while taking market share from legacy platforms.

SUMMARY DATA

52-Week High	**$4.70**
52-Week Low	**$1.64**
One-Year Return (%)	**122.2**
Beta	**-1.27**
Average Daily Volume (sh)	**1,063**
Shares Outstanding (mil)	**9.2**
Market Capitalization ($mil)	**$36**
Short Interest Ratio (days)	**0.4**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**16.3**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-14.1**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2019 Estimate	**N/A**
P/E using 2020 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small Growth**
Industry	**Technology Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	0.0 A	0.1 A	0.0 A	0.0 A	0.1 A
2018	0.0 A	0.0 A	0.0 A	0.0 A	0.1 A
2019	0.0 A	0.0 A	0.1 A	0.3 E	0.4 E
2020					3.6 E

EPS

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.82 A	-$0.81 A	-$1.77 A	-$1.28 A	-$4.69 A
2018	-$1.05 A	-$1.22 A	-$1.67 A	$0.42 A	-$4.16 A
2019	-$0.28 A	-$0.20 A	-$0.22 A	-$0.20 E	-$0.88 E
2020					-$0.48 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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- Jerrick is a five-year-old company, which spent the startup phase developing a revenue-generating platform, built primarily for the creator and the broader creative community. Via an acquisition, the company recently started to generate meaningful revenues. Its main source of revenue is expected to be from its new subscription services sold to web-based content creators and the brands that are anxious to access the creators' audience. It could now be at the beginning stages of rapid growth.

- Jerrick's platform, *Vocal*, supports all forms of rich-media content: text, video, audio, images, products, and more. The platform has an easy-to-use open canvas content editor. Users can embed a variety of digital content including YouTube videos, Instagram posts, Spotify playlists, podcasts, and more directly into Vocal's editor. The invention of the smartphone first allowed users to aggregate digital content, resources and services. Now, the Vocal platform provides users with aggregated digital content, resources, and services on a more targeted basis. Vocal is the next iteration of this aggregation trend, empowering the creative community with powerful storytelling resources and tools, which can be accessed more efficiently and effectively than could its predecessors, and from any device, whether on mobile, desktop or tablet.

- Jerrick has created a next generation platform for creating and sharing multimedia content on the web. Vocal was built in conjunction with Sydney-based development group Thinkmill, led by its founder Jed Watson. Its flexible architecture was built from the ground up using Keystone, a cost-efficient, and highly scalable development framework. Vocal's technology offers a number of differentiating factors that can enable it to compete effectively with the likes of WordPress or Medium for both eyeballs and creators. Vocal's scalable technology is easy to update and built to support future development, which should result in much lower operational costs than its legacy competitors.

- Revenues are primarily generated from content creators and brands, not readers. There is no display advertising on the site or cost for readers to read/view content, both increasingly unprofitable business models. Not having a paywall encourages visitors and views, which supports revenues from brands through native advertising. Jerrick collects first-party data that can be used to help brands target audiences in third party systems such as Facebook, Instagram, and Snapchat, which works to optimize conversions on branded content campaigns. Through Jerrick's acquisition of Seller's Choice and its e-commerce based clientele, Vocal has expanded its technology into the direct-to-consumer marketplace, providing invaluable data to brands and the opportunity to work with Vocal for Brands.

- Viewership on the site is enhanced by proprietary search engine optimization (SEO) built into Vocal's architecture. As creators amplify their content through their own social media channels, the optimization is further enhanced. Creators can get more views and greater discoverability by publishing content on Vocal as opposed to other sites geared toward short form content, which have limited search capabilities and discovery tools, as well as limited opportunities for content monetization.

- While platforms such as Medium, Patreon, Vimeo, and Automattic have burned through $100's of millions of dollars and not reached profitability, Jerrick looks to reach operating breakeven at approximately $1.5 - 2 million in quarterly revenues. This could be reached as soon as the end of this year depending on how subscriptions ramp, based on its next generation technology, low cost architecture, and unique user generated content strategy. Additionally, on January 22, 2020 the company released a new offering for creators and brands–Challenges–which is expected to be a key revenue driver in 2020.

- Per an S-1 filed on September 27, 2019, the company is planning a $6-$7 million capital raise to support growth both internally and through acquisitions. At the same time, it will be rebranding and

changing its name to Creatd, as well as uplisting to the NASDAQ, where it has an active application. Management expects the uplisting to take place in first quarter 2020. This cash raise should see it through to cash flow breakeven barring any outsized acquisitions.

- We believe based on our forecasts and comparable companies, Jerrick Media could be worth $13.00 per share by 2021 based on a multiple of 14 times enterprise value to sales using a combination of public and private company comparables. This is based on it successfully reaching estimated sales of $9 million in 2021 without any additional equity dilution than forecasted.

OVERVIEW

Jerrick was founded in 2013 and went public through a reverse merger in February 2016. It is based in Fort Lee, New Jersey, and has 20 employees. Soon after the company's founding, it partnered with Thinkmill, an industry-leading development group based in Sydney, Australia, and began building a platform from scratch that empowers content creators with content creation tools, distribution mechanisms and monetization features. After years of design, development, and beta testing, the Vocal platform debuted to the public in December 2016.

The idea for Vocal came as a response to what Jerrick's founders recognized as systemic flaws inherent to the digital media industry. They saw the depreciating value of digital media business models increasingly threatened by factors like fragmented content creation tools, excessive traffic and marketing dollars required to monetize content, and compressing margins on display advertising. This led to a qualitative deterioration of online content. In addition, it meant that companies operating on this legacy model would continue to struggle from limited paths to scalable profitability.

Jerrick instead envisioned that it would make money through a sustainable and scalable business model. Vocal was strategically developed to provide value for content creators, readers, and brands, and to serve as a home for the ever-increasing amount of digital content being produced. Audiences on Vocal could, in turn, discover quality content from their favorite creators and genre-specific communities. Foreseeing the fact that content living on legacy platforms would become increasingly distressed and less visible in search, Vocal's proprietary technology was designed to seamlessly absorb the supply of external media assets that will come up for sale in the upcoming years. Having incorporated this functionality into Vocal from the get-go, Jerrick has the ability to revive distressed media content at a fraction of its original cost and with limited increase to Jerrick's operational expenses.

Importantly, Jerrick does not see Vocal as a substitute competitor to platforms such as WordPress, Medium, Patreon, and others, rather as a supplementary tool to leverage the vast number of fragmented content creation tools that exist in the digital sphere. Vocal's unique proprietary architecture means that published content has an increased likelihood of being found by search engines. Additionally, creators benefit from Jerrick's proprietary moderation system, which leverages machine learning with human-touch curation and ensures a safe and curated environment for brands and creators. It can be easily adapted to future changes in the regulatory landscape. Finally, since Vocal does not serve intrusive display ads or have a paywall for readers its content gets greater viewership than sites that operate on legacy models.



Source: Jerrick

The company has four main sources of revenue:

1. Vocal+, a subscription service for Vocal content creators that provides enhanced features and revenue generating opportunities for the subscriber.
2. Vocal for Brands, a subscription-based model for brands including native advertising and Challenge sponsorship opportunities.
3. Seller's Choice, which provides digital marketing solutions for e-commerce businesses and direct-to-consumer brands. It represents new revenue lines and upselling opportunities to Vocal for Brands and the subscription-based creator model.
4. E-commerce generated from the auctioning of archival assets from General Media (originally founded by Bob Guccione) and leveraging associated licensing opportunities. While historically generating one-off revenues, this model has been institutionalized and management expects this business model to grow substantially.

Small additional revenue sources include platform processing fees from tips sent and received on the platform, as well as affiliate revenues.

Currently the company's greatest source of revenues is from the newly purchased Seller's Choice, which represents the third revenue stream at approximately 65%. Creator subscriptions are growing rapidly and management believes it will soon overtake Seller's Choice as the main source of revenue, followed by Vocal for Brands.

What's in it for Creators?

The continually expanding network of over 500,000 content creators using its platform fuels Jerrick's revenues. This, in turn, attracts audiences and brands, the other key stakeholders who exist within Vocal's ecosystem. Vocal appeals to all content creators–from writers to artists, musicians, podcasters, entrepreneurs, and more. Creators are attracted by Vocal's key value propositions including:

1. Tools for creation
Vocal's content editor allows creators to easily add rich media to their stories and makes it easy to create beautiful, engaging stories. Creators can also participate in themed story contests, called *Challenges*, for the chance to win cash prizes and other rewards.

2. Monetization
Jerrick provides creators with multiple opportunities to earn money: creators can earn revenue when their story is read, (on a CPM basis), from tips paid by readers to support the creator, from creator Challenges, and from partnering with brands through the Vocal for Brands content studio.

3. Discovery
Vocal connects creators with new and existing audiences through genre specific communities optimized for SEO, and its internal curation team that facilitates distribution of content through multiple channels and helps creators grow their audience.

4. Analytics
Jerrick provides creators with numerous analytics, including story performance data, earnings data, and sentiment data (i.e. 'Likes' received).

Revenues From Vocal+

We believe that in the near term the largest contributor to Jerrick's revenues should be content creators. In 2019, Jerrick released a subscription model called Vocal+ that provides enhanced tools, data, and an increase in revenue generating opportunities. Jerrick charges $99 a year or $9.99 a month for a Vocal+ subscription. Creators subscribe for the economic benefits and the opportunity to participate in premium creator opportunities. Creators generate revenues for themselves via a formula based on views, paid by Jerrick, or from tips paid by viewers who choose to voluntarily support the creator (all platform transactions are processed through Vocal's integration with the Stripe payment processing platform). Being a subscriber to Vocal+ gives creators **added value propositions:**

Vocal+ Members receive increased earnings, a Vocal+ Badge, and first access to new features.
You'll be the first to get the following benefits:

Benefits	Vocal	Vocal+
Earnings per 1000 reads	$3.80	$6.00
Platform processing fee on tips	7%	2.9%
Minimum withdrawal balance	$35	$20
Vocal+ Badge	✗	✓

Source: Jerrick

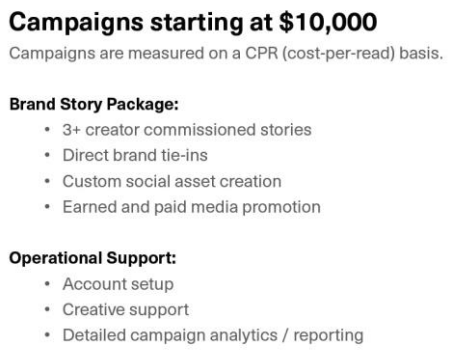
Additionally, Vocal+ creators have the ability to participate in select premium creator Challenges offered exclusively to Vocal+ members. Challenges were introduced in late January 2020.

In the near future, Vocal+ subscribers will also receive:

- The ability to follow creators
- Bookmarking capabilities
- Creator author page customization
- The ability to publish directly to their author page

The company claims that it currently onboards 500-600 freemium creators per day, approximately 5-10% of which upgrade to Vocal+ within the first few weeks. The Vocal+ conversion rate is up 1-2% from approximately 90 days ago when it launched.

What's the Advantage for Advertisers?



Source: Jerrick

Advertisers can come to Vocal to place branded content, sometimes referred to as native advertising. The company refers to this revenue source as *Vocal for Brands*. They can either choose certain creators to create content or can sponsor a Challenge in which creators can compete to provide the desired content in exchange for the chance to win cash or other rewards. The company claims its active reading time and click-through rates are much higher than industry average and its cost per read is one-third the industry average.

Foundational to Jerrick's ideology is that creators' content should be not interrupted by invasive ads. It created a solution in Vocal for Brands, an internal content studio that partners with real creators from their network to produce branded content stories (native ads) which are articles written by Vocal creators that tells an authentic story about a brand's industry or specific product. Brands can pay a flat fee or a varying rate for the following primary benefits:

1. **Authentic storytelling**
   Jerrick's internal data group matches brands with the appropriate creators on Vocal. These creators collaborate with brands to produce organic, native stories that are published on Vocal and further promoted by the creator or influencer through their distribution channels, such as Instagram, Facebook, and YouTube.

2. **Promotion**
   Jerrick's first-party data provides an opportunity to create highly targeted and segmented audiences to promote branded content. Most importantly, Vocal's technology helps the right readers discover the right branded stories at the right time by utilizing and applying that first party data.

3. **Conversions**
   Jerrick's transparent conversion tracking allow them to provide data and insights to help brands increase conversions.

4. **Analytics**
   Jerrick provides numerous analytics for brands. Brands can access story performance data, engagement

data, behavioral data, and interest data. Brands can apply this data to further increase awareness and audience targeting.

What Can Direct-to-Consumer (DTC) & E-Commerce Sites Gain?

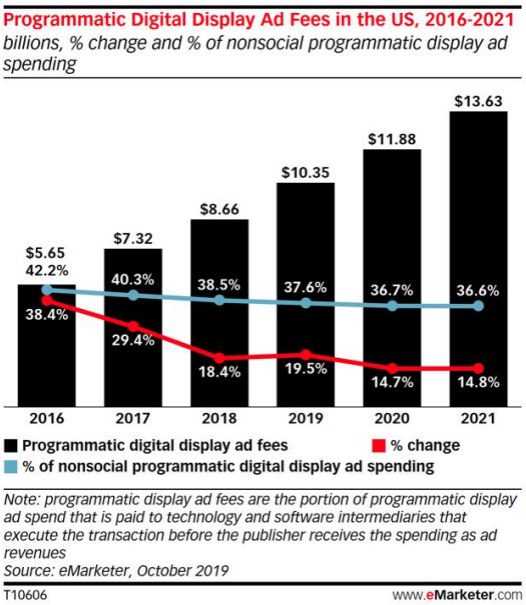
Another source of revenues for Jerrick comes from its September 12th acquisition of Seller's Choice. The company was acquired for $2 million, representing an approximate 1.3-1.5 multiple of its projected 12-month-forward revenues (mid-point $1.4 million in estimated revenues), consisting of $340,000 in cash, a $660,000 promissory note, and $1 million in stock. Seller's Choice is a full-service digital marketer that helps direct-to-consumer (DTC) and e-commerce brands improve sales. It currently is the largest revenue generator for Jerrick and we believe it was most of sales in Q3 2019 and Q4 2019. Seller's Choice has expertise in optimizing sales for online brands. As part of Jerrick, it can now upsell Vocal for Brands marketing campaigns to its new and existing customers.

Next Generation Technology Provides a Competitive Advantage

The Vocal platform is a classic example of taking a proven concept but dated technology and rewriting it with the latest, to compete against legacy providers. In Vocal's case, its platform is built on Keystone, the same underlying framework used by industry-leading Atlassian a $30-billion Australian technology company. The key differentiating elements of Vocal's technology are speed, sustainability, and scalability. The company continues to invest heavily in research and development to continuously improve and innovate their platform with the goal of optimizing the user experience for their creators.

Vocal's architecture allows it to do more with less cost and provide a model that turns a profit with minimal expenses. Vocal has built-in risk management and compliance features, in the form of quality assurance policies that enhance the reliability and integrity of the platform and ensure regulatory compliance.
Vocal uses third-party cloud-based services to host its platform, allowing it to run on the latest and most modern cloud technologies. By using a cloud services provider, Jerrick is able to focus on running and scaling its services, rather than building its own infrastructure. In addition, Jerrick does not host content, particularly video, where the greatest costs lie. Although creators can publish links and embed video and audio into their pages, they must be hosted elsewhere (such as on YouTube, Spotify, SoundCloud, or self-hosted.)

INDUSTRY OUTLOOK



Digital content is growing rapidly and technology platforms help facilitate the distribution of this content. According to data published by Statista, every minute there are 4,300,000 video views on YouTube, 1,440 posts published on WordPress, 174,000 posts are viewed on Instagram, and 481,000 tweets are sent on Twitter. Subscriptions, paywalls and digital advertising support these platforms. According to eMarketer, worldwide digital ad spending rose by 17.6% to $333.25 billion in 2019 and represented almost half of the global ad market.

The content distribution business is undergoing a disruptive shift. Once primarily supported by display advertising, it is now more oriented toward native and creator-based fees. Already Facebook, Google, and Amazon capture nearly 70% of digital ad spending with that number projected to increase. Traditional news sites are being squeezed by lower ad rates and the proliferation of ad blockers that have eliminated display ads and pop-ups for

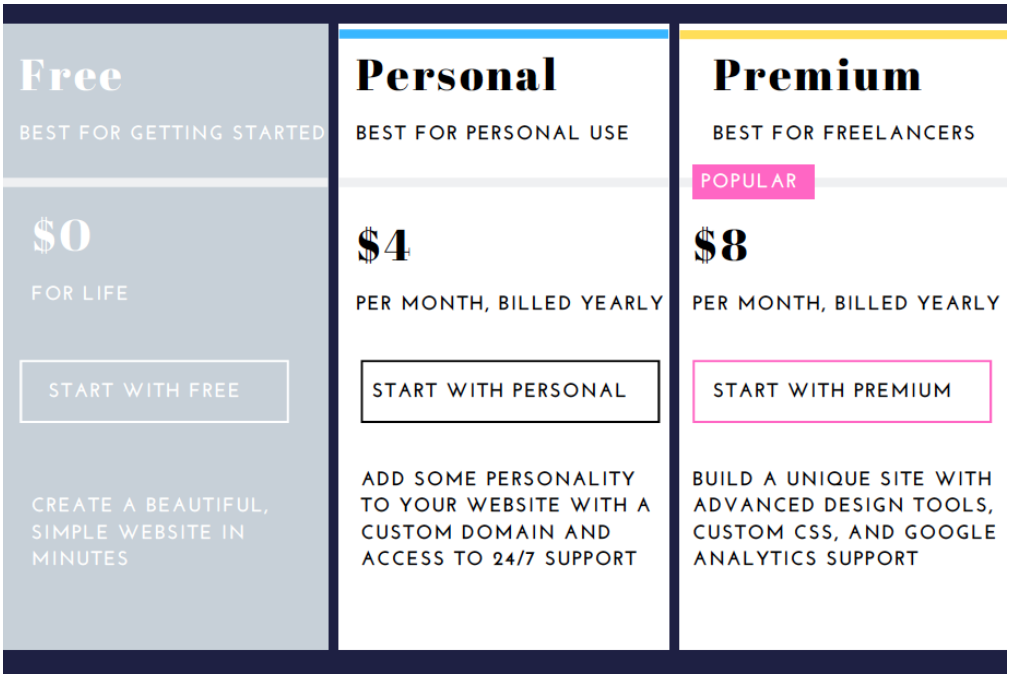
viewers. A 2019 Statista analysis indicated that 25.8% of internet users in the U.S. use some form of ad blocker, increased from 23.6% of users in 2017, and 20.6% of users in 2015, and is expected to continue to grow.

Privacy concerns have limited cookies and tracking making it even more difficult for advertisers to target potential customers. These changes have caused a rethink of how to support the generation of content for readers and viewers.

While the total market for display advertising continues to grow, the middlemen between the ad buyer and the content publisher continue to get squeezed as shown by the data from eMarketer. This is making it increasingly harder for platforms to be profitable on display ad revenue alone. In the face of this radical disruption in the digital advertising landscape, the content distribution business is undergoing a shift from being supported by display advertising to native advertising and creator-based fees. Branded Content is on the rise, and growing at a current rate of 40% year over year according to Polar, a format platform management company. It also expects global branded content market to hit $14 billion this year. In other words, brand advertisers are increasingly turning to trusted and safe platforms to drive engagement as opposed to programmatic and display advertising.

COMPETITION

Automattic (private) is based in San Francisco and was founded in 2005. It recently raised $300 million in a Series D led by Salesforce Ventures at a pre-money valuation of $2.7 billion. It has raised a total of $617 million over its lifetime. Automattic, founded by the same people as WordPress, sells value-added services to people using WordPress for their content. It is the parent company of: WordPress.com, WooCommerce, Jetpack, Simplenote, Longreads, VaultPress, Akismet, Gravatar, Crowdsignal, Cloudup, Tumbler, and more. Its subscription service has a free version and two paid versions targeted at individuals it also has a business subscription ($25 per month) and one for online stores ($45 per month.)



Source: Zacks Investment Research

Patreon (private) was founded in 2013 and is based in San Francisco. It has had five funding rounds raising a total of $166 million, the last being a $60 million Series D in July of 2019 at a pre-money valuation of $600 million. It claims to have paid out $1 billion to creators since inception. It last round is to be spent expanding internationally and accepting multiple currencies. It said that in January it was supporting 100,000 creators with 3 million patrons. In 2018 it had $35 million in revenues and $55 million in 2019. Patreon takes between five and twelve percent of the payments to creators. Patreon is a video platform and viewers pay amounts set by the authors, although in general viewers pay whatever they want to support each contributor.

Medium (private) is based in San Francisco and was founded in 2011 by Biz Stone and Jason Goldman. It has had $132 million in total funding with the last being a Series C of $50 million in 2015 at a pre-money valuation of $550 million. Partner Program writers are paid monthly based on how much time Medium members spend reading their stories. Readers are charged $5 a month or $50 per year to read content on Medium.

YouTube was founded in 2005 and is based in San Bruno, California. Google purchased it in 2006 for $1.64 billion in stock when it was unprofitable and was only valued at $600-700 million at the time. It reached $4 billion in revenue in 2014 but was still unprofitable; it could be over $15 billion today. It allows creators to upload videos and for viewers to view (most of the content) for free. It garners revenue from a combination of inserted video advertising, a percent of Superchat tips from viewers to creators and from brands who hire creators to create native advertising content. Some publishers such as Hulu distribute through the site, but most content is from individuals. YouTube also offers premium channels that require a paid subscription as well as movie rental and paid ad-free music streaming. While YouTube hosts long videos, it limits the amount of text on the page as well as the ability to embed other types of content. It curates content following inconsistent guidelines, which has often caused consternation with users, particularly those trying to monetize their efforts. It also restricts views by using highly controlled algorithms making it difficult for content creators to be found among the vast volume of video uploaded.

Vimeo is owned by IAC, based in New York City, and was founded in 2004. It is a professional video platform with over 150 million members across more than 150 countries. It allows users to create, host, and distribute high-quality content for prices ranging from $84 to $900 per year. In 2018 it generated $160 million in revenues up from $103.3 million. In the first nine months of 2019, Vimeo had $141.4 million in revenues up from $115.5 in 2018. It is still at an operating loss. It now has 1.2 million paying users.

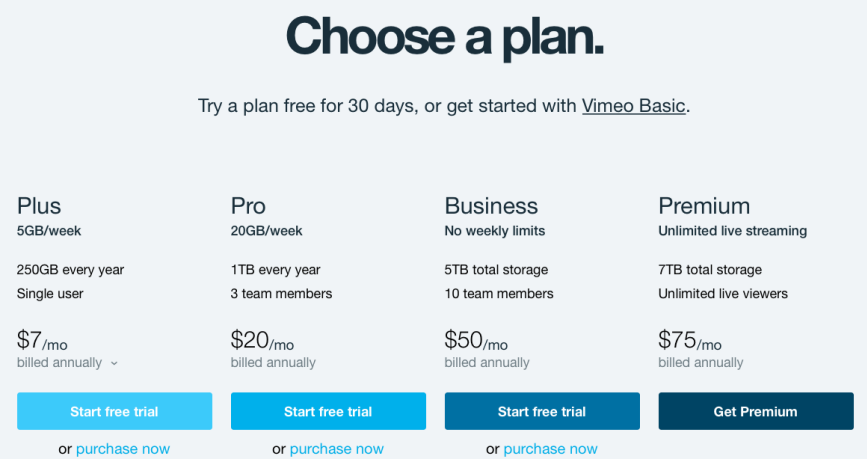
IAC
Vimeo
(rounding differences may occur)

	2017	2018					2019		
	FYE 12/31	Q1	Q2	Q3	Q4	FYE 12/31	Q1	Q2	Q3
Vimeo									
Revenue ($ in millions)									
Platform (a)	$ 99.7	$ 32.9	$ 36.3	$ 37.2	$ 40.2	$ 146.7	$ 41.3	$ 45.7	$ 52.1
Hardware (b)	3.7	2.6	3.3	3.1	4.0	13.0	2.3	-	-
Total Vimeo Revenue	$ 103.3	$ 35.6	$ 39.6	$ 40.3	$ 44.2	$ 159.6	$ 43.6	$ 45.7	$ 52.1
Ending Subscribers (in thousands) (c)	873	901	917	932	952	952	973	1,204	1,214

(a) Platform Revenue primarily includes subscription SaaS and other related revenue from Vimeo subscribers.
(b) Hardware Revenue included sales of our live streaming accessories. Vimeo sold its hardware business in Q1 2019.
(c) The number of subscribers to Vimeo's SaaS video tools at the end of the period (including Magisto which was acquired on May 28, 2019).

Source: Vimeo

Video creators have their content hosted by Vimeo and can choose to pay based on storage size. Hosting is expensive which is why Vocal does not host video but allows creators to link to or embed video from other locations.



Source: Vimeo

VSCO, a competitor to Instagram, was founded in 2011 and is based in Oakland, California. It has had $90 million in funding. Next year it expects to hit 4 million paying users up from 2 million in 2018 and has 100 million registered users. It charges $19.95 per year for photo editing tools, filters, and tutorials. It is near $80 million in revenues up from $50 million in 2018. It was last valued at $550 million. While it does not directly compete with Vocal, it shows valuation with a successful subscription service.



Source: Zacks Investment Research

FINANCIALS

The Vocal Founding Member beta program started on May 6, 2019 and ended on Sept 18, 2019. During that period, members could join Vocal+ for $50 a year. After Sept 18, 2019 the price rose to $99 a year or $9.99 per month. Thus the September quarter revenues reflected ratable revenues based primarily on the $50 per year rate. Incremental revenues are now at more than twice that rate per Vocal+ member, between $9.99 and $8.25, rather than $4.17. The company claims to now have 2,300 monthly paying subscribers and expects this number to continue to increase exponentially quarter over quarter.

Q3 2019

In Q3 2019, ending September 30,2019, Jerrick reported $91,396 in revenue primarily from the purchase of Seller's Choice on September 12, 2019. In addition, there were $65,000 of deferred subscription revenues from Vocal+ beta subscriptions, which began sales in late May. The company had an operating loss of $1.7 million and a net loss of $1.9 million or $0.22 per share.

Balance Sheet

The company ended the third quarter with $167,000 in cash, a negative $8.1 million in working capital, and $7.3 million in debt. However with the current capital raise, this will change drastically. If $7 million worth of shares were sold at $4.00, that should add 1.75 million to the shares outstanding. Also, all of the debt and convertible notes will be able to be converted into common stock with the exception of $660,000 of the 12.5% notes. After the deal, primary shares outstanding should be closer 12 million. Even without this raise, the balance sheet is much stronger than it appears. The company's largest asset is the Guccione collection of archival media assets, including acquired artwork, photographs, illustrations and licensing IP, with an appraised value (2016) of $6-8 million, but is not on the balance sheet as the purchase price was deemed immaterial in 2012. Much of the increase in value has been driven by recent sales and deals unlocking the properties intellectual value. The company used this asset as collateral for a loan with one of its largest investors which has provided some of the liquidity needed over the years.

Q4 2019 Forecast

Management has indicated that they expect Q4 revenues to exceed $300,000. We expect the company to keep expenses flat if not reduce them based on employee consolidation and capitalizing on synergies that took place from the purchase of Seller's Choice in the September quarter. With total operating expenses of $1.9 million we expect an operating loss of $1.6 million for the quarter. Using $200,000 for interest expense results in a net loss of $1.8 million or $0.20 per share using 9.2 million shares outstanding.

2019 Year Forecast

For 2019 we are expecting revenues of approximately $438,000 versus $81,000 the year before. Management has said it generated a little over $300,000 in Q4 2019. The operating loss could be $6.4 million versus a loss of $5.9 million a year ago. The net loss is estimated at $7.2 million compared with $14.2 million in 2018. On a per share basis this is a loss of $0.88 per share down from a $4.16 per share loss in 2018. Average shares outstanding for the year could be 8.2 million shares compared to the average outstanding of 3.4 million a year ago, up 140%.

2020 Year Forecast

We believe Jerrick should be able to increase quarterly revenues throughout the year based on increasing paid subscriber numbers, increased business with brands and continue growth in ecommerce business at Seller's Choice. We are starting our revenues estimate at $3.6 million and a net loss of $5.3 million resulting

in a per share loss of $0.48 on 11 million share outstanding. This is predicated on a successful capital raise some time in Q1 2020.

2021 Year Forecast

Since the company has just recently rolled out its two main revenue sources, it is impossible to predict revenues for 2020 without a wide range of outcomes possible. Assuming the subscriptions continue to increase and the network effect plays out we are tentatively starting 2021 revenues estimates at $9 million. With controlled spending and a successful capital raise eliminating interest expense, we believe the company could have a breakeven year. It is however far to early to predict results with so little historical data.

VALUATION

When valuing Jerrick we looked at a number of public and private companies with similar business models or that are competitors. Most sell subscription services to consumers. The most relevant comps are private entities with limited public information. Looking at the table below, we see that these companies trade at an average of 6.9 times enterprise value to sales with a range of 0.3 times to 30.0 times. Like Jerrick many of them are cash flow negative, although all, with the exception of Enthusiasts Gaming, are expected to have sales over $100 million in 2020 proving they have some traction. Using an average of 6.9Xs and applying that to Jerrick's estimated 2021 revenues of $9 million, it could be worth $62.1 million enterprise value, $55.1 million market value or $6.00 per share by 2021.

Public Companies

			Revenue		TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company		Ticker	2020E	LTM	EBITDA	2020E	LTM	EBITDA	in Average?	Value
Blue Apron		APRN	$441	$501	-$17	0.3x	0.3x	-7.8x	n	135
ChannelAdvisor Corp		ECOM	$136	$130	$7	1.8x	1.9x	35.2x	y	249
Chicken Soup		CSSE	$105	$44	$6	1.4x	3.4x	24.6x	y	150
Etsy		ETSY	$1,020	$748	$131	6.0x	8.2x	46.8x	y	6,110
Enthusiasts Gaming		EGLX.V	$40	$3	NA	2.0x	26.4x	NA	y	80
Limelight Networks		LLNW	$225	$185	-$5	2.8x	3.4x	-134.6x	y	630
Hubspot		HUBS	$830	$633	-$32	8.9x	11.7x	-231.6x	y	7,410
Match		MTCH	$2,420	$1,960	$653	11.1x	13.7x	41.1x	y	26,800
Netflix		NFLX	$24,490	$18,880	$2,460	6.5x	8.4x	64.2x	y	157,970
Shopify		SHOP	$2,110	$1,420	-$96	23.8x	35.3x	-524.9x	y	50,160
Slack		WORK	$856	$570	-$513	13.5x	20.3x	-22.6x	y	11,600
Spotify	Euros	SPOT	9,310	$6,404	$169	2.6x	3.7x	141.9x	y	23,980
Upwork		UPWK	358	$289	-$8	2.8x	3.5x	-128.3x	y	1,010
Average					**231.0x**	**6.9x**	**11.7x**	**-57.4x**		**$23,846**

The valuations for the private company competitors are much higher than those for the public companies and it is more difficult to get revenue and valuation information. These valuations may not be correct and should not be relied on, but are the numbers discussed during capital raises. From publicly available articles in the press we believe these companies are valued at an average of 21.2Xs enterprise value to sales. At 21.2 times sales, Jerrick could be worth $191 million using 2020 estimated revenues of $9 million. This would be $20.75 per share. To a strategic buyer this would be an even more relevant metric.

Private Companies

Company	Year Founded	EV	Estimated Revenue	EV/Revenue
Medium	2011	550	12	45.8
Patreon	2013	600	55	10.9
VSCO	2011	550	80	6.9
Average				21.2

Taking a **combination of both valuation metrics, and using the average we get to $13 per share by 2021**. This is assuming the company meets or exceeds our forecasts and does not do any unforecasted capital raises that dilute current shareholders.

RISKS

- While the company is just beginning to generate meaningful revenues and it is still experiencing an operational loss. It is difficult to predict when, and if, it will cross into profitability given its limited track record.
- Given its current losses the company may need to raise more cash than expected to reach profitability and this could cause dilution to current shareholders.
- Jerrick is planning to raise capital and attempting to uplist the stock to NASDAQ. Despite management's optimism it is challenging to predict if it will successful, or at what price a raise can be done
- The company has many competitors, many of which are much larger and better funded than it.
- Jerrick has no CFO and limited senior management. There are only two members on the board. A new chairman joining is contingent on the company's ability to raise funds.

MANAGEMENT

Jeremy Frommer
CEO

Jeremy has over 20 years of experience in the financial technology industry. Previously, he held key leadership roles in the investment banking and trading divisions of large financial institutions during which time he built and sold two financial services companies. Prior roles include serving as Managing Director of Global Prime Services at RBC Capital Markets after the sale of professional trading from Carlin Financial Group. He earned a BA in Philosophy from the SUNY at Albany and studied at the London School of Economics.

Justin Maury
President

Justin is President and Head of Product and a co-founder of Jerrick. He is a full stack design director with over ten years of design and product management experience in the creative industry. Justin's passion for the creative arts and technology ultimately resulted in the vision for Jerrick's flagship product, Vocal. Since

2014 Justin has overseen Vocal's development and launch and spearheaded its growth to over 500,000 creators in its first three years since launch.

BOARD OF DIRECTORS

Jeremy Frommer
CEO

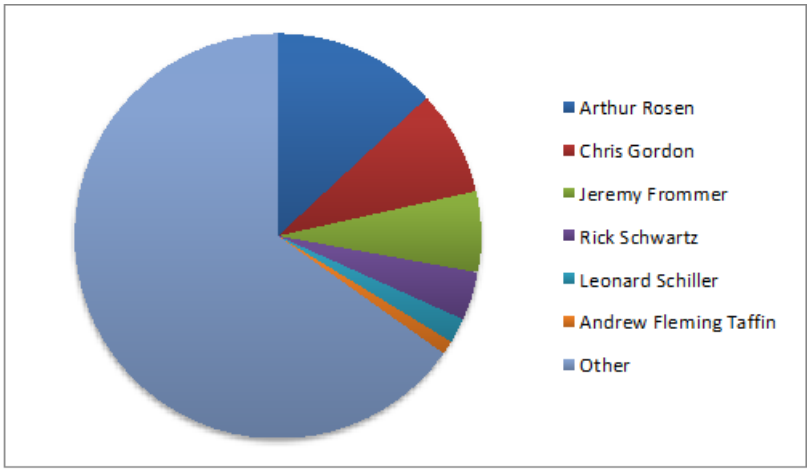
Leonard Schiller

Leonard is President and Managing Partner of the Chicago law from Schiller, Strauss and Lavin PC, having first joined the firm in 1977. Previously, he served as the President of The Dearborn Group, a Midwest-based residential property management company. Leonard has acted as principal manager in numerous private loan transactions and has sat on the Board of Directors of IMALL. Leonard has served on the Illinois State Bar Association Committee on Property Taxation, and is an active member of the Illinois Lawyer's Property Tax Association. He graduated from the University of Iowa with a BS in Political Science, and attained his Juris Doctor degree from Chicago-Kent College of Law.

Mark Standish – Nominee

Upon the consummation of its capital raise, the board of directors intends to appoint Mr. Standish as a director and chairman of the board. Mr. Standish has been a Senior Partner at HHM Capital since January 2017. He has also been on the board of LightPoint Financial Technology LLC since January 2017. From February 2015 to December 2016, he served as Managing Partner and CIO for Deimos Asset Management. In 1995 he joined the Royal Bank of Canada and served as Co-Chief Executive Officer of RBC Capital Markets from 2008 to 2014. He studied banking and finance at Croydon College in England in 1983.

OWNERSHIP



Source: Zacks Investment Research

PROJECTED INCOME STATEMENT

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Year	Year	Year
	Mar. 31, 2018	June 30, 2018	Sep. 30, 2018	Dec. 31, 2018	Mar. 31, 2019	June 30, 2019	Sep. 30, 2019	Dec 31, 2019E	Mar. 31, 2020E	June 30, 2020E	Sep 30, 2020E	Dec 31, 2020E	2018	2019E	2020E
Net revenue	**$ 16,249**	**$ 24,023**	**$ 25,119**	**$ 15,507**	**$ 34,334**	**$ 7,181**	**$ 91,386**	**$ 305,000**	**$ 400,000**	**$ 600,000**	**$ 1,100,000**	**$ 1,500,000**	**$ 80,898**	**$ 437,901**	**$ 3,600,000**
Gross margin	16,249	24,023	25,119	15,507	34,334	7,181	91,386	305,000	400,000	600,000	1,100,000	1,500,000	80,898	437,901	3,600,000
Operating expenses															
Compensation	651,788	451,041	446,094	829,741	726,574	545,037	531,502	500,000	500,000	525,000	550,000	600,000	2,378,664	2,303,113	2,175,000
Consulting fees	95,799	528,708	73,603	388,447	206,377	191,254	412,394	400,000	400,000	400,000	300,000	300,000	1,086,557	1,210,025	1,400,000
Research and development	187,577	136,329	117,660	194,614	341,339	13,559	11,349	12,000	20,000	20,000	20,000	20,000	636,180	378,247	80,000
General and administrative	404,662	473,648	270,350	517,092	465,038	659,452	792,664	1,000,000	1,100,000	1,200,000	1,300,000	1,350,000	1,665,752	2,917,154	4,950,000
Total operating expenses	1,339,826	1,589,726	907,707	1,929,894	1,739,328	1,409,302	1,747,909	1,912,000	2,020,000	2,145,000	1,747,909	2,270,000	5,767,153	6,808,539	8,605,000
Loss from operations	(1,323,577)	(1,565,703)	(882,588)	(1,914,387)	(1,704,994)	(1,402,121)	(1,656,523)	(1,607,000)	(1,620,000)	(1,545,000)	(1,656,523)	(770,000)	(5,686,255)	(6,370,638)	(5,005,000)
Other expenses															
Interest expense	(268,125)	(341,071)	(279,163)	(34,649)	(54,569)	(110,032)	(164,439)	(200,000)	(220,000)	(20,625)	(20,625)	(20,625)	(923,008)	(529,040)	(281,875)
Accretion of debt discount and issuance cost	(174,888)	(415,045)	(1,449,656)	(50,697)	(47,364)	(69,626)	(111,027)	0	0	0	0	0	(2,090,286)	(228,017)	0
Settlement of vendor liabilities	1,875	0	1,011	120,000	0	0	0	0	0	0	0	0	122,886	0	0
Loss on extinguishment of debt	(342,367)	(89,419)	(2,938,719)	(82,632)	(77,514)	(3,635)	(2,022)	0	0	0	0	0	(3,453,137)	(83,171)	0
Gain (loss) on settlement of debt	13,452	0	1,823	983	0	0	0	0	0	0	0	0	16,258	0	0
Total other expenses, net	(770,053)	(845,535)	(4,664,704)	(46,995)	(179,447)	(183,293)	(277,488)	(200,000)	(220,000)	(20,625)	(20,625)	(20,625)	(6,327,287)	(840,228)	(281,875)
Loss before income tax provision	(2,093,630)	(2,411,238)	(5,547,292)	(1,961,382)	(1,884,441)	(1,585,414)	(1,934,011)	(1,807,000)	(1,840,000)	(1,565,625)	(1,677,148)	(790,625)	(12,013,542)	(7,210,866)	(5,286,875)
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net loss	(2,093,630)	(2,411,238)	(5,547,292)	(1,961,382)	(1,884,441)	(1,585,414)	(1,934,011)	(1,807,000)	(1,840,000)	(1,565,625)	(1,934,011)	(790,625)	(12,013,542)	(7,210,866)	(5,286,875)
Deemed dividend	0	65,823	45,367	63,042	0	0	0	0	0	0	0	0	174,232	0	0
Inducement expense	0	0	2,016,634	0	0	(7,628)	0	0	0	0	0	0	2,016,634	(7,628)	0
Net loss attributable to common shareholders	$ (2,093,630)	$ (2,477,061)	$ (7,609,293)	$ (1,961,382)	$ (1,884,441)	$ (1,577,786)	$ (1,934,011)	$ (1,807,000)	$ (1,840,000)	$ (1,565,625)	$ (1,934,011)	$ (790,625)	$ (14,204,408)	$ (7,203,238)	$ (5,286,875)
EPS	**$ (1.05)**	**$ (1.22)**	**$ (1.67)**	**$ (0.31)**	**$ (0.28)**	**$ (0.20)**	**$ (0.22)**	**$ (0.20)**	**$ (0.19)**	**$ (0.14)**	**$ (0.22)**	**$ (0.07)**	**$ (4.16)**	**$ (0.88)**	**$ (0.48)**
Shares outstanding	1,996,514	2,026,222	3,330,404	6,400,000	6,691,530	8,072,257	8,899,320	9,178,000	9,500,000	11,400,000	11,450,000	11,500,000	3,418,491	8,210,277	10,962,500
					235%	298%	167%	43%	42%	41%	29%	25%		140%	34%
All in shares					13,630,030	10,225,257	11,138,320	11,417,000	11,740,000	13,640,000	13,690,000	13,740,000		10,449,277	13,202,500

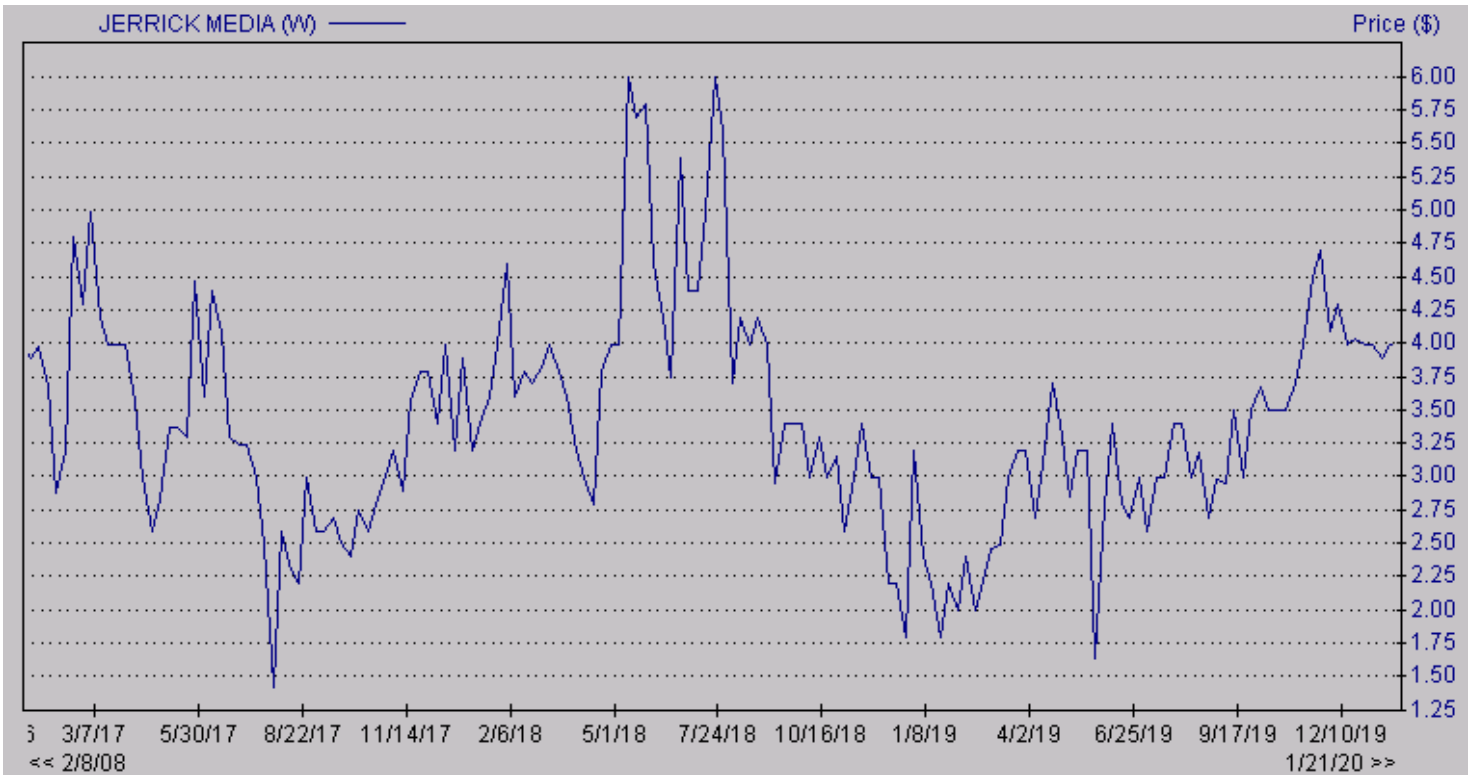
BALANCE SHEET

	Sep. 30, 2019	Dec. 31, 2018	% Change
Current Assets			
Cash	**$ 167,254**	0	NM
Accounts receivable	85,783	6,500	1220%
Note receivable	11,450	0	NM
Current portion of operating lease right of use asset	105,763	0	NA
Total Current Assets	370,250	6,500	5596%
Property and equipment, net	56,526	42,443	33%
Excess Purchase Price Over Net Assets Acquired	2,148,407	0	NM
Deferred offering costs	0	143,146	-100%
Security deposit	16,836	16,836	0%
Operating lease right of use asset	222,821	0	NM
Total Assets	2,814,840	208,925	1247%
Current Liabilities			
Cash overdraft	0	**33,573**	-100%
Accounts payable and accrued liabilities	1,078,754	1,246,207	-13%
Demand loan	**100,000**	0	NM
Convertible Notes - related party, net of debt discount	**20,377**	0	NM
Convertible Notes, net of debt discount and issuance costs	**2,019,983**	0	NM
Current portion of operating lease payable	105,763	0	NA
Note payable - related party, net of debt discount	**4,459,284**	**1,223,073**	265%
Note payable, net of debt discount and issuance costs	**660,000**	**49,926**	1222%
Deferred revenue	66,008	9,005	633%
Deferred rent	0	7,800	-100%
Total Current Liabilities	8,510,169	2,569,584	231%
Non-current Liabilities:			
Operating lease payable	217,531	0	NA
Deferred rent	0	6,150	-100%
Convertible Notes - related party, net of debt discount	0	314	-100%
Convertible Notes, net of debt discount and issuance costs	0	123,481	-100%
Total Non-current Liabilities	217,531	129,945	67%
Total Liabilities	8,727,700	2,699,529	223%
Stockholders' Deficit			
Common stock	9,164	6,475	42%
Additional paid in capital	36,411,455	34,100,327	7%
Accumulated deficit	(41,941,305)	(36,545,065)	15%
Less: Treasury stock	(392,174)	(52,341)	649%
Total Stockholders' Deficit	(5,912,860)	(2,490,604)	137%
Total Liabilities and Stockholders' Deficit	$ 2,814,840	$ 208,925	1247%
Current ratio	0.0	0.0	1620%
Net cash	$ 167,254	$ (33,573)	-598%
Working capital	(8,139,919)	(2,563,084)	218%
Debt	7,259,644	1,306,572	456%
Debt as a % of Assets	258%	625%	-59%

CASH FLOWS

	2018 Year	March 31, 2019	June 30, 2019	Sep. 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (12,013,542)	$ (1,884,441)	$ (1,585,414)	$ (1,934,011)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	42,218	3,133	2,527	6,262
Accretion of debt discount and issuance cost	2,090,286	47,364	69,627	111,026
Inducement expense	0	0	7,626	0
Share-based compensation	346,954	318,636	129,655	(6,879)
Gain (loss) on settlement of vendor liabilities	(122,886)	0	0	0
Gain on settlement of debt	(16,257)	0	0	0
Amortization of right of use asset	0	11,935	(11,935)	0
Loss on extinguishment of debt	3,610,049	77,514	3,635	2,022
Changes in operating assets and liabilities:				
Prepaid expenses	40,680	0	0	669
Accounts receivable	(5,175)	(1,066)	5,066	(53,532)
Operating lease right of use asset	0	0	(47,643)	(28,674)
Security deposit	164	0	0	0
Deferred revenue	9,005	(9,005)	17,833	48,175
Accounts payable and accrued expenses	1,039,690	(6,687)	(244,612)	243,387
Deferred rent	6,000	0	0	0
Current portion of operating lease payable	0	(18,436)	18,436	0
Net Cash Used In Operating Activities	(4,972,814)	(1,461,053)	(1,635,199)	(1,611,555)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Issuance of note receivable	0	0	0	(11,450)
Cash paid for property and equipment	(27,605)	(2,801)	(24,050)	(1,036)
Cash consideration for acquisition	0	0	0	(368,004)
Net cash received in business combination	0	0	0	16,049
Net Cash Used In Investing Activities	(27,605)	(2,801)	(24,050)	(364,441)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash overdraft	33,573	(33,573)	0	0
Net proceeds from issuance of notes	791,833	0	0	0
Repayment of notes	(264,939)	(50,000)	0	0
Proceeds from issuance of demand loan	50,000	300,000	(200,000)	0
Proceeds from issuance of convertible note	1,525,154	787,813	1,205,212	0
Repayment of convertible notes	(226,250)	(12,508)	0	12,508
Proceeds from issuance of convert notes - related party	299,852	0	0	0
Proceeds from issuance of note payable - related party	465,000	380,000	1,210,000	1,816,500
Repayment of note payable - related party	(205,000)	(125,000)	(150,000)	(54,000)
Investor Deposit		0	0	0
Proceeds from issuance of common stock and warrants	2,787,462	649,829	0	0
Repayment of line of credit	(44,996)	0	0	0
Cash paid to preferred holder	(87,111)	0	0	0
Cash paid for debt issuance costs	(166,761)	0	0	0
Cash paid for stock issuance costs	(35,115)	0	(35,000)	0
Purchase of treasury stock and warrants	(33,334)	(170,000)	(237,307)	(28,121)
Net Cash Provided By Financing Activities	4,889,368	1,726,561	1,792,905	1,746,887
Net Change in Cash	(111,051)	262,707	133,656	167,254
Cash - Beginning of Year	(111,051)	0	262,707	396,363
Cash - End of Year	0	262,707	396,363	563,617
Cash Paid During the Year for:				
Income taxes	0	0	0	0
Interest	0	0	18,273	23,989
Cash Flow	(6,063,178)	(1,425,859)	(1,384,279)	(1,821,580)
Free cash flow	(6,090,783)	(1,428,660)	(1,408,329)	(1,822,616)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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