February 24, 2020

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

Will CSSE Be the Last AVOD Standing?

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2020 EBITDA of $30 million and a 14.9 multiple results in $27.00 per share. A strategic acquirer could pay much more.

Current Price (02/21/20)	$9.14
Valuation	**$27.00**

OUTLOOK

Chicken Soup for the Soul Entertainment has 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 EBITDA to be upwards of $30 million in 2020 and increase in future years.

SUMMARY DATA

52-Week High	**$12.36**
52-Week Low	**$7.02**
One-Year Return (%)	**21.4**
Beta	**1.1**
Average Daily Volume (sh)	**11,297**
Shares Outstanding (mil)	**12.1**
Market Capitalization ($mil)	**$111**
Short Interest Ratio (days)	**31.4**
Institutional Ownership (%)	**39**
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	-$0.60 E	-$2.50 E
2020					-$0.62 E

© Copyright 2020, Zacks Investment Research. All Rights Reserved.

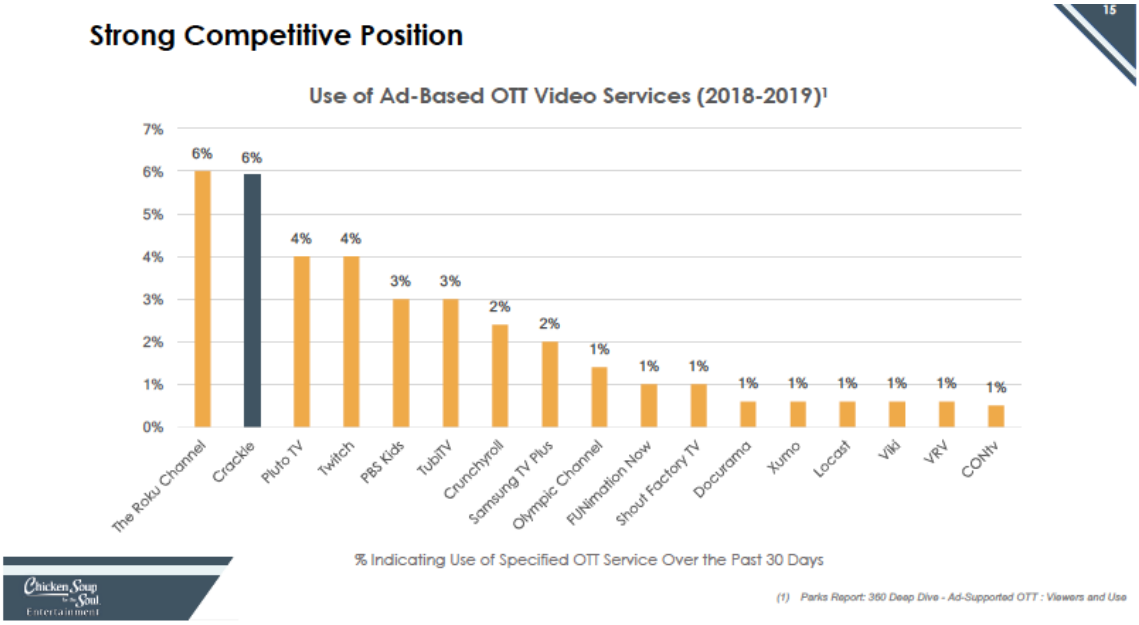
Will CSSE Be the Last Man Standing of the AVOD Players?

An article in the Wall Street Journal on Friday reported that both Fox and Comcast were pursuing acquisitions in the advertising supported video on demand (AVOD) space to supplement their online offerings which have focused on subscription supported video on demand (SVOD.) It stated that Fox was interested in buying Tubi for over $500 million, while Comcast was pursuing both Wal-Mart-owned Vudu, and Panasonic and Time Inc.'s Xumo. While certainly both these players could develop their own ad-supported channels, it appears that time to market may result in a great premium in an acquisition. This has caused investors to wake up and begins to validate how much CSSE is actually worth not only because we believe its revenues are higher than Tubi, but because of the limited pool of acquisition targets with any meaningful traction and size. If indeed Fox is considering $500 million, and Tubi's revenues are under a $64 million run rate, that would be over 7.8 times sales. CSSE is now trading at an enterprise value of $120 million. Keep in mind that Sony still owns 49% of Crackle+.

As seen in the market share chart below, many of the largest OTT AVOD services are already spoken for, leaving CSSE one of the few available for purchase, unless one were to buy Roku (valued at $14 billion.) Pluto is owned by ViacomCBS; Twitch is a subsidiary of Amazon; and Crunchyroll is a subsidiary of Otter Media, which is a subsidiary of AT&T's WarnerMedia, and streams primarily Asian shows. The non-profit PBS, who is funded by member stations, donations and the US government, owns PBSKids. Olympic Channel is owned by the Olympic Committee. Sony owns Funimation (anime.). Docurama and CONtv are owned by Cinedigm (CIDM) and are very small.

We expect investors will start to realize Crackle's position in the market and the stock could respond. We believe this article has caused lot of interest its the story both from investors, bankers and potential acquirers.

Chart 1. Market Share of AVOD OTT Services



Source: Chicken Soup for the Soul Entertainment

2020 Forecast

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. The GAAP loss of is calculated at $0.62 per share, however the adjusted EBITDA estimate of $30 million remains the same.

KEY POINTS

- With only one quarter left to be reported, Chicken Soup for the Soul Entertainment's joint venture with Sony's Crackle OTT channel may have propelled it over the $55 million revenue mark in 2019. 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.

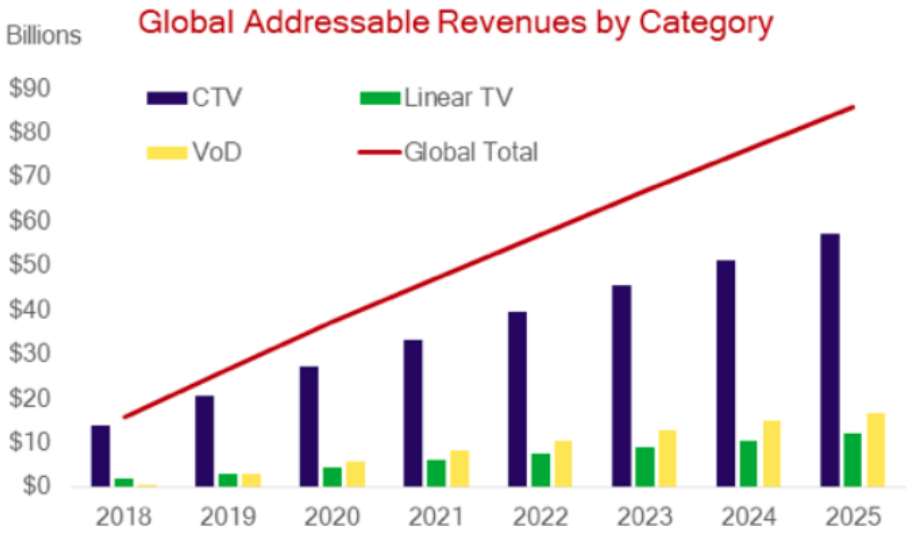
- Our 2020 revenue estimate is $105 million. Our valuation for the company is $27.00 per share, based on estimated EBITDA in 2020 of $30 million and an EBITDA peer multiple of 14.9X. Although to a strategic investor, the price could be multiples of that.

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.

Rather than competing with linear channels and subscription based video on demand (SVOD,) Crackle Plus is sticking to the advertising supported AVOD business. According to Rethink Technology Research addressable TV advertising (ads placed on OTT content), "will leap from $15.6 billion in total worldwide revenue in 2019 to almost six times that value at $85.5 billion by 2025." This growth is from stealing market share from traditional cable and broadcast television. Addressable TV is comprised of three segments as shown on the graph below: linear TV, VoD/catch up, and Connected TV (CTV).



Source: Rethink Technology Research, https://rethinkresearch.biz/store/category/rethink-tv/

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 14.9 times EV/EBITDA. Using 2020 EBITDA of $30 million and shares of 16 million, that would be approximately **$27.00 per share.** Looking at it from enterprise value to sales, the group trades at an average of 5.0 times estimated 2020 sales. Using this CSSE could be worth $525 million enterprise value or **$32.20 per share**.

	Ticker	Revenue			TTM	Enterprise Value / Sales			EV/	Included	Enterprise
Company		2020E	2019E	LTM	EBITDA	2020E	2019E	LTM	EBITDA	Average?	Value
DISH	DISH	$12,310	$12,810	$12,810	$2,520	2.7x	2.6x	2.6x	13.2x	y	33,280
Entertainment One*	ENTMF	NA	NA	$1,202	$252	NA	NA	2.9x	13.9x	y	3,520
Wildbrain	WILD.TO	$445	$453	$453	$61	NA	NA	2.2x	16.4x	y	1,000
Gaia	GAIA	$69	$54	$53	-$17	2.8x	3.5x	3.6x	-11.3x	y	191
Lionsgate	LGF-A	NA	$3,860	$3,860	$336	NA	1.4x	1.4x	15.8x	y	5,320
Netflix	NFLX	$24,390	$20,160	$20,160	$2,710	7.3x	8.8x	8.8x	65.7x	y	178,130
Roku	ROKU	$1,600	$1,130	$1,130	-$49	8.8x	12.4x	12.4x	-284.5x	y	14,050
WWE	WWE	$1,170	$960	$960	$180	3.6x	4.4x	4.4x	23.4x	y	4,210
* acquired by Hasbro											
Average					**830.5**	**5.0x**	**5.5x**	**4.8x**	**14.9x**		**$29,963**

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. While many players have focused on SVOD, that crowded field makes AVOD a more logical pursuit. The large players seem to be looking to have an offering of both in order to target more viewers and maximize their TAM.

Most recently the Wall Street Journal reports Fox is rumored to be in advanced talks to buy TubiTV, for a price north of $500 million. In December TubiTV reported it had 25 million monthly active users. Also Comcast is alleged to be interest in Vudu, which primarily a pay-per-view business with an AVOD component as well as Xumo a pure AVOD. Vudu is owned by Wal-Mart, which purchased it in 2010 for $100 million.

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.

Last January, Viacom (now ViacomCBS) 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 $120 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 bought 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.

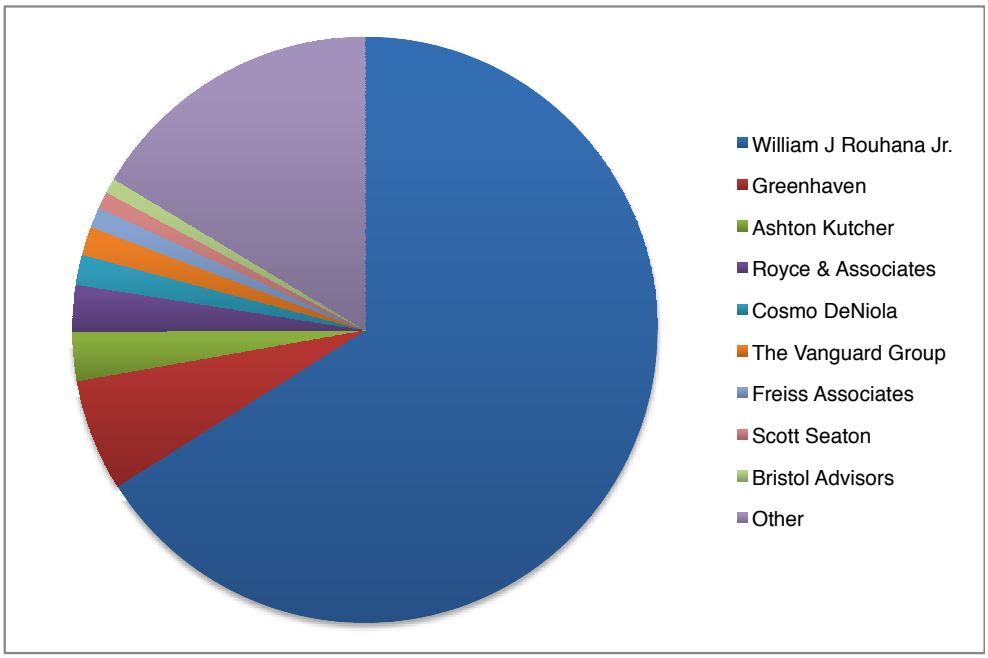
- The ownership structure gives common shareholders little say in the governance of the company. CEO Bill Rouhana controls most the total voting power through ownership of class B common stock, with each class B share entitled to 10 votes.

- 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%	129%
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%	1161%	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	22.5	26.9	53.5	103.7
Cost of revenue without amortization	1.7	0.6	1.4	2.2	0.8	6.7	12.2	14.3	5.9	34.0	44.3
Gross Margin w/o amortization	4.4	2.4	5.1	9.9	1.4	5.5	4.8	8.8	21.0	20.8	60.8
Gross Margin %	72.6%	79.8%	78.2%	82.0%	56.7%	44.9%	28.2%	38.1%	75.6%	38.0%	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	16.2	12.3	39.8	54.3
Gross profit	2.640	1.148	4.0	6.7	0.6	3.6	3.2	6.3	14.5	13.7	49.5
Gross Margin %	43.4%	37.5%	60.8%	55.9%	22.2%	29.9%	18.6%	27.5%	52.3%	25.0%	47.1%
Operating expenses:											
SG&A (Ex-stock based comp)	2.4	1.9	1.8	3.7	2.6	4.4	6.1	5.0	9.8	18.1	22.3
Stock-based compensation	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	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	12.3	13.7	34.9	53.0
Operating income:	(0.6)	(1.2)	1.1	1.5	(2.7)	(3.0)	(9.6)	(6.0)	0.8	(21.2)	(3.6)
Operating margin	-10.0%	-40.3%	17.3%	12.5%	-106.4%	-24.4%	-56.1%	-25.9%	2.8%	-38.7%	-3.4%
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	(0.4)	0.0
Acquisition related costs	(0.0)	0.0	(0.2)	(0.2)	(0.4)	(2.3)	(1.1)	-	(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)	(4.7)	(0.8)
Income before income taxes	(0.7)	(1.3)	0.8	1.2	(3.2)	(5.4)	(11.2)	(6.2)	0.0	(25.9)	(4.3)
Pretax Margin	-11.0%	-43.4%	12.7%	10.1%	-127.2%	-44.0%	-65.6%	-26.8%	0.1%	-47.3%	-4.1%
Income taxes	0.2	0.1	0.5	0.1	(0.4)	(0.3)	1.2	0.1	0.9	0.7	(1.3)
Tax rate	-32%	-6%	61%	6%	14%	5%	-11%	-2%	3011%	-3%	30%
Profit before non-controlling	(0.9)	(1.4)	0.3	1.1	(2.8)	(5.1)	(12.4)	(6.3)	(0.8)	(26.6)	(3.0)
Minority income	0.0	0.0	0.0	0.0	0.0	0.00	(0.0)	0.1	0%	0.0	0.6
Net income	(0.9)	(1.4)	0.3	1.148	(2.8)	(5.1)	(12.4)	(6.3)	(0.8)	(26.6)	(2.4)
Yr-over-Yr	562%	101%	-162%	-95%	213%	264%	-3927%	-649%	-104%	3054%	-91%
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)	(7.3)	(2.0)	(29.9)	(6.2)
Stk based compensation	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	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)	(7.0)	0.3	(23.9)	(4.8)
Yr-over-Yr	78414%	282%	-89%	-22%	309%	87%	32132%	-423%	-88%	-9579%	-80%
Net income per share:											
Primary EPS	**(0.09)**	**(0.14)**	**(0.01)**	0.04	**(0.28)**	**(0.49)**	**(1.11)**	**(0.60)**	**(0.16)**	**(2.50)**	**(0.52)**
Diluted EPS	(0.09)	(0.14)	(0.01)	**0.04**	(0.28)	(0.49)	(1.06)	(0.58)	(0.16)	(2.50)	(0.49)
Non-GAAP EPS	(0.07)	(0.12)	(0.00)	0.18	(0.23)	(0.18)	(1.00)	(0.58)	0.02	(1.90)	(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)	2.674	11.3	2.6	30.0
EBITDA Margin	27.1%	13.4%	47.3%	50.9%	-37.2%	10.5%	-2.2%	11.6%	40.7%	5%	29%

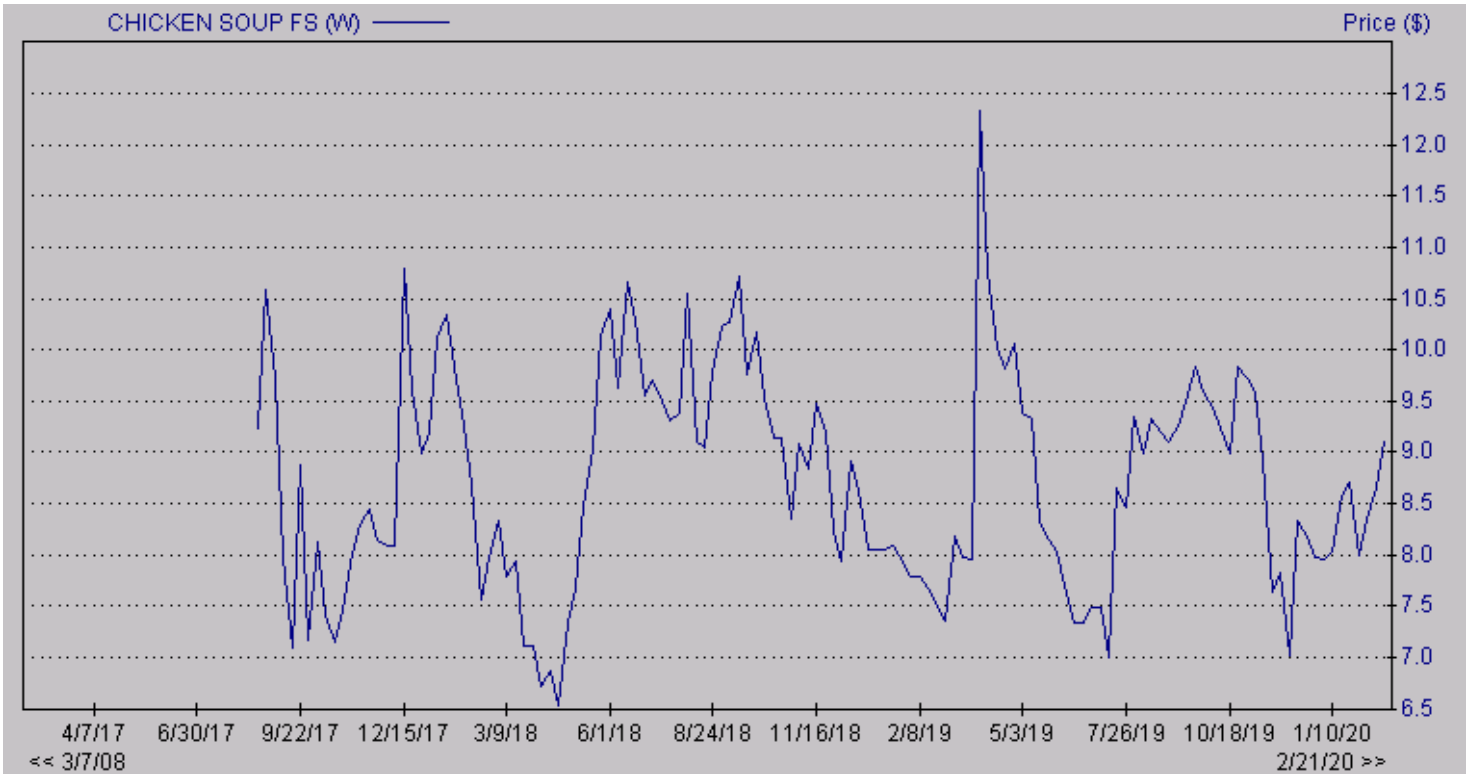
BALANCE SHEET

	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

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (Zacks SCR), a division of Zacks Investment Research (ZIR), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

Zacks SCR Analysts hereby certify that the view expressed in this research report or blog article accurately reflect the personal views of the analyst about the subject securities and issuers. Zacks SCR also certifies that no part of any analysts' compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report or blog article. Zacks SCR believes the information used for the creation of this report or blog article has been obtained from sources considered reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice. The Zacks SCR Twitter is covered herein by this disclosure.

INVESTMENT BANKING AND FEES FOR SERVICE

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer.

The non-investment banking services provided to the issuer include the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR.

Each issuer has entered into an agreement with Zacks to provide continuous independent research for a period of no less than one year in consideration of quarterly payments totaling a maximum fee of $30,000 annually.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the Valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or Tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.