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Zacks Small-Cap Research

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Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

Viewership Accelerated in Q1 and Crackle+ Should Emerge Even Stronger This Fall

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2020E and trailing 12 month EV to Sales multiples result in a price of $29.00 per share. A strategic acquirer might pay much more.

Current Price (05/26/20)	$7.66
Valuation	**$29.00**

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 2019 together the two would have generated $79 million in revenues. While advertising is down due to the shut down of local businesses, Crackle viewership continues to grow portending a booming 2021. Recent acquisitions in the streaming space show CSSE to be undervalued versus its peers.

SUMMARY DATA

52-Week High	**$10.21**
52-Week Low	**$5.01**
One-Year Return (%)	**-8.6**
Beta	**1.4**
Average Daily Volume (sh)	**15,313**
Shares Outstanding (mil)	**12.0**
Market Capitalization ($mil)	**$91.9**
Short Interest Ratio (days)	**9.5**
Institutional Ownership (%)	**39**
Insider Ownership (%)	**71**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**101.2**
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	**Average**
Type of Stock	**Small Value**
Industry	**Broadcast-Radio/TV**

ZACKS ESTIMATES

Net Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	$5.8 A	$2.9 A	$6.5 A	$11.7 A	$26.9 A
2019	$2.2 A	$12.0 A	$16.8 A	$24.4 A	$55.4 A
2020	$13.2 A	$13.2 E	$21.2 E	$24.7 E	$73.7 E
2021					$110 E

GAAP EPS

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.09 A	-$0.12 A	-$0.01 A	$0.04 A	-$0.16A
2019	-$0.28 A	-$0.49 A	-$1.11 A	-$1.03 A	-$2.92 A
2020	-$0.95 A	-$0.78 E	-$0.48 E	-$0.32 E	-$2.34 E
2021					-$1.00 E

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WHAT'S NEW

Viewership Accelerated in Q1 and Crackle+ Should Emerge Even Stronger This Fall

Chicken Soup for the Soul Entertainment is in a unique position in the streaming wars and is capitalizing on market trends accelerated by the pandemic shut down. It could emerge even stronger as viewers reevaluate their experience having explored more content avenues during the shutdown. For one, people have discovered Crackle and Popcornflix who never watched them before. Secondly, movie producers have no theatres in which to release their films, making TVOD (aka pay-per-view) an important channel and one that has given CSSE its greatest profits in recent weeks. The moviemakers have also discovered that TVOD even generates greater profits for them than theatrical releases when they are in the middle market—not a huge superhero blockbuster and not an indie cult choice. Third, with sports shut down, advertisers are giving Crackle a look as it attracts that desirable demographic of 18-34 year old males.

Certainly while consumers save money by eating at home and not going to events, SVOD has benefited, but coming out of these shut downs, spending will shift again to live experiences and subscriptions may be cancelled. One would expect cord cutting could accelerate, as viewers not only seek to save money, but have now learned they can survive without Comcast.

CSSE is the last man standing as an independent AVOD and management continues to talk to the 14 to 15 players that should be thinking about how AVOD fits into their plans. Crackle+ is years ahead of any de novo business strategy and at current valuation, billions in cost below the numbers thrown around by startups such as Peacock. We believe CSSE CEO, who is also the largest shareholder will do what ever is right to maximize the value of the company, including an outright sale.

Short term Crackle + continues to suffer from the reduction in ads primarily from local advertising (which are typically 40% of ad revenue) as businesses were shut due to the pandemic. After a disappointing April (down some 15%), May was considerably better, but maybe not back to pre-pandemic levels. As a result we are expecting revenues to come in close to what they were in Q1. Production has been shut down for any new content. Management believes it has enough content until Q1 2021, but there are four or five productions on hold waiting for locations to reopen and talent to consent to start up. While delaying completion, this also reduces some costs and well as increases the value of CSSE's film library.

Since businesses across the world have shut down, viewership has grown substantially at Crackle as people have more free time, but less money, making AVOD services even more attractive. Crackle+ averaged approximately 50 million per month videos streams on Crackle and Popcornflix. Viewership began to spike in March leading to growth in ad impressions throughout the quarter with stable ad pricing. Again advertising demand was greater than supply in Q1, however local advertising showed some weakness near the end of the quarter, and weakened significantly in April. The company emphasized its strategy to depend more on new and original exclusive content. In Q1 this content was almost 15% of streaming hours in the quarter, and the highest percentage to date and showed less reliance on Sony content. It has had extreme success with *Going From Broke*, produced by Aston Kutcher and *On Point*, its basketball documentary series. This month it highlighting the Crackle exclusive movie *Cooped Up* and Screen Media's *Crown Vic*.

Q1 2020 Results

Chicken Soup for the Soul Entertainment came in with Q1 revenues below forecasts and EBITDA above forecasts. Net revenues were $13.2 million versus $2.2 million a year ago, up 1126%. The company is now combining Television & Short Form Production with Television and Film Distribution, and this segment reported $5.1 million in revenues compared to $1.8 million last year. Online networks grew to $9.0 million from $0.7 million a year ago, and was on target with forecasts.

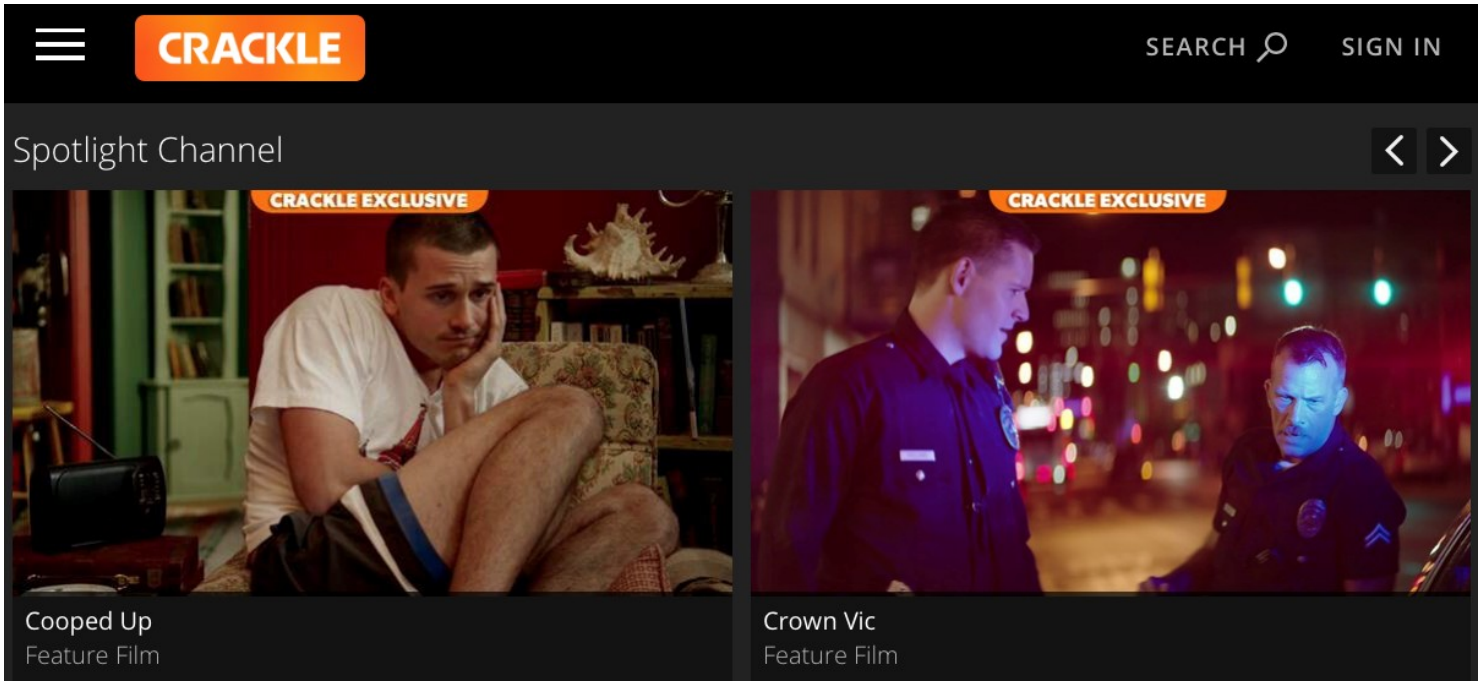
Gross margin after film library acquisition was 23.6% up from 22.2% a year ago. This was below the 30.4% in Q4 that had much higher revenues. The Production and Distribution segment has a higher margin than the online business and as that segment becomes a greater part of overall sales, margins should expand.

Operating expenses increased to $13.4 million versus just $3.2 million last year before the Crackle+ joint venture. The biggest increase was from amortization, which added $5 million in expense alone.

Other expense was $422,000 from $526,000 a year ago. Without one-time acquisition costs other expense would have been $323,000 versus $128,000, owing entirely to interest expense.

Net loss to common shareholders was a loss of $11.4 million down sequentially from $12.4 million in Q4 2019 and a loss of $3.4 million in Q1 2019. GAAP loss per share was $0.95 versus a loss of $0.28 a year ago and the share count remained steady. On a non-GAAP basis, taking out stock-based compensation and one-time charges, we believe the loss would be $0.75 per share versus a loss of $0.23 per share a year ago.

Fortunately the company is run on EBITDA due to its high amortization costs distorting the profitability of the enterprise. For Q1 EBITDA beat expectations and was a positive $2.0 million compared to $5.2 million in Q4 2019 and a negative $940,000 in Q1 2019.



Source: Chicken Soup for the Soul Entertainment

Landmark Studios Productions

The company has one film in postproduction called ***Willy's Wonderland*** **starring Nicolas Cage**. This is a horror movie about a janitor working the night shift at a condemned amusement park. The animatronic characters come to life and, of course, attack. It is directed by **Kevin Lewis** (*The Drop, Malibu Spring Break*.) and is expected to be released in Q4.

Others planned for later in the year when filming might be able to start:

Flagrant – TV series, Twenty years after he was caught throwing a game and gambling on his own team, a disgraced college basketball player gets an unlikely shot at redemption. He fled Queens, NY decades ago to

get away from the stigma of the scandal, but he's now asked to come home and fill in as coach for a currently-failing team, at the same school he famously sold down the river decades ago.
Peter Hoare, and Pete Correale *(The Pete and Sebastian Show, Kevin Can Wait*) will serve as co-writers and show runners.
Star: Michael Rapaport.

The Operative – 10 part series**,** Spy thriller, Jhon Straw was mysteriously forced to end his career following the Cold War but re-emerges to warn of an upcoming attack on American soil. A young analyst named Emma, sent by the CIA to interview him about his claims, uncovers that Straw is full of stories, some pointing to a decades old conspiracy with ties to the Kremlin. In her search for the truth, Emma and John soon become allies as they work together to try to stop a skilled, cunning, and formidable enemy before it's too late.
It is loosely based on Harvey Gomberg's book *Code Name Stinger.*
Star: Craig T. Nelson

Safehaven -- TV series, Thriller, A high school comic book artist must uncover the truth behind horrifying visions coming to life from her drawings.

Balance Sheet

CSSE ended the quarter with $7.1 million in cash and $19.2 million in debt compared to $3.0 million and $7.3 million last year. On May 14th it had $6.5 million in cash.

Sony Decision

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 to date has been that Sony will keep the equity. Management has said that the revenue and profit split between CSSE and Sony should result in no minority interest. If it decides not to, CSSE would give Sony preferred amounting to interest payments of approximately $4 million per year. However, were Sony to go that route, CSSE believes it would take some combination of common and preferred stock instead of just preferred.

KEY POINTS

- Convergence Research Group estimates that domestic OTT access revenue rose by 35% in 2019 to $22 billion, and should rise 29% to $28.5 billion in 2020, and to $44.2 billion in 2022. That is a double in three years. CSSE is expected to grow with market growth.

- Chicken Soup for the Soul Entertainment's joint venture with Sony's Crackle OTT channel propelled it over the $55 million in revenue for 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 will create original content with little to no risk by creating production companies 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, its production ventures for original content, and the scale to be a major player in AVOD, CSSE is now attracting 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 $74 million. Our valuation for the company is $29.00 per share, based EV/Sales peer multiple of 4.9X. To a strategic acquirer, 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 a variety of television series: *Hidden Heroes, Vacation Rental Potential*, *Being Dad, Chicken Soup for the Soul Animal Tales* and most recently *Going From Broke* (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. Pivotshare allows the company to easily launch targeted subscription-based channels. 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

Valuing Chicken Soup for the Soup Entertainment can be done a variety of way, by EBITDA, by EV to sales and by acquisition price versus recent transactions. Using EV to Sales of the peer group below, CSSE could be worth **$29.00 per share** using 2020 estimated sales and trailing 12 months blended.

	Ticker	Revenue			TTM	Enterprise Value / Sales			EV/	Included	Enterprise
Company		2021E	2020E	LTM	EBITDA	2021E	2020E	LTM	EBITDA	Average?	Value
DISH	DISH	$12,320	$12,750	$12,840	$2,570	2.2x	2.1x	2.1x	10.5x	y	27,000
fuboTV**	FBNK	NA	NA	$152	NA	NA	NA	7.5x	NA	y	1,133
Gaia	GAIA	$81	$65	$56	-$4	2.0x	2.4x	2.8x	-43.3x	y	159
Netflix	NFLX	$29,270	$24,770	$21,400	$3,210	6.6x	7.7x	9.0x	59.8x	y	191,918
Roku	ROKU	$1,980	$1,480	$1,240	-$88	6.5x	8.7x	10.4x	-146.6x	y	12,900
WWE	WWE	$1,180	$1,040	$1,070	$245	3.2x	3.6x	3.5x	15.5x	y	3,792
** Post merger with FuboTV											
Average					**779.6**	**4.1x**	**4.9x**	**5.9x**	**-20.8x**		**39,484**

	Revenue		TTM	Enterprise Value / Sales		Valuation Range	
	2020E	LTM	EBITDA	2020E	LTM	Low	High
Chicken Soup	**$74**	**$66**	**4.2**	**4.9x**	**5.9x**	**$364**	**$391**

Conclusion of Enterprise Value	**$377,360,984**
Market Value	**$363,797,911**
Diluted Shares Outstanding	12,581,985
Price per Share	**$28.91**

CSSE may be of more value to a large player in the content business as it takes considerable time to build an AVOD business. Not only does a service need access to content, it needs an ad business that an SVOD would not have. So time to market is an issue for the build versus buy decision.

The most recent transaction that has occurred in the streaming space is the announced merger of small public company Facebank Group with FuboTV, the sports focused streaming channel. The name is to be changed to FuboTV and the ticker was already changed to FUBO. When the merger is completed in Q2, the company should have 103 million shares, which at $12 per share, translates into a market cap of $1.2 billion or **5.5 times FuboTV's Q4 2019** run rate of $223 million. FuboTV generated $127 million in revenues in 2019, while Facebank had $5.8 million in revenues for the first nine months of 2019, its most recent financial report. Using the run rate metric, and subtracting the $6 million from PSVue, CSSE would trade at $411 million or $34 per share using this multiple.

In June, Fox is buying TubiTV for $440 million in cash. In December TubiTV reported it had 25 million monthly active users. Tubi is available on about 25 digital platforms in the U.S. and features 20,000 titles and 56,00 hours of film and television episodes. If Tubi's revenues are under a $64 million run rate, that would be over **7.8 times sales**, even higher than TubiTV.

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.

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. 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

- CSSE has transformed the formerly money losing Crackle into a growing cash flow positive entity. However, its acquisition of the Crackle Plus joint venture may not play out as expected and may ultimately require capital investment to grow.

- The company now has a number of production ventures structured to limit its downside that are new and may not be successful.

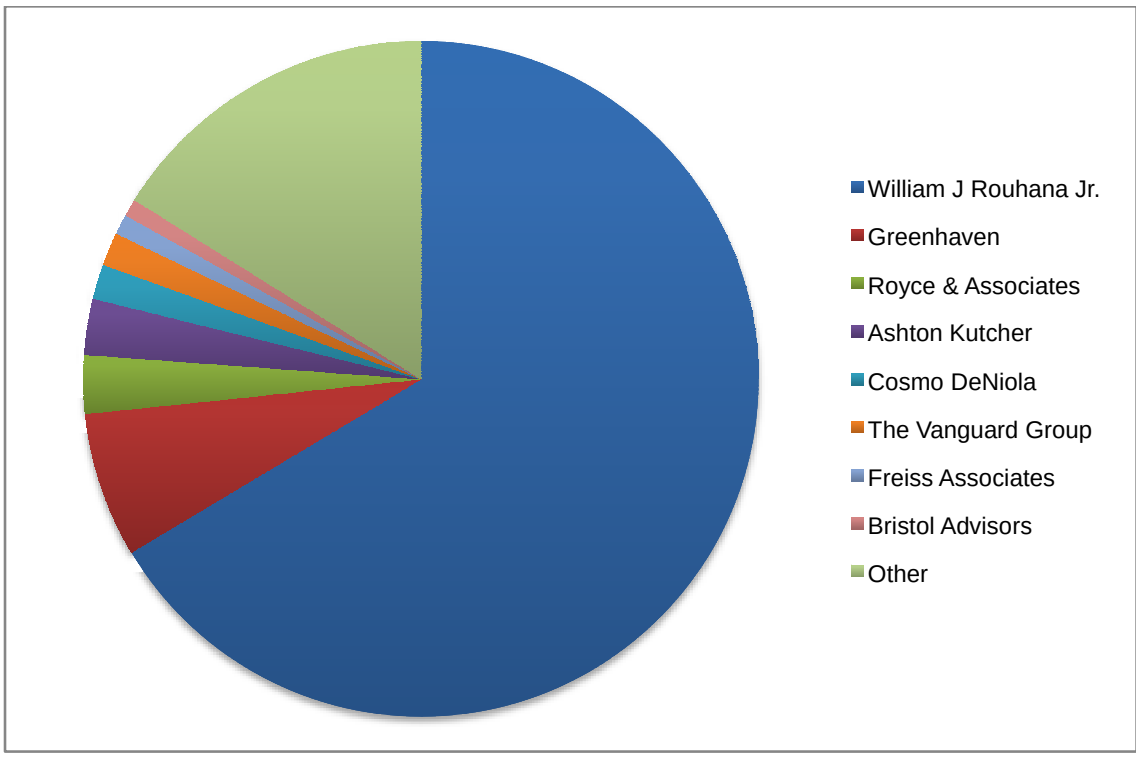
- The ownership structure gives common shareholders little say in the governance of the company. CEO Bill Rouhana controls most the total voting power through ownership of class B common stock, with each class B share entitled to 10 votes.

- The stock has very low float making it difficult to accumulate or sell stock.

- Advertising spending has come way down due to the shut down of businesses from the pandemic. It is impossible to tell when spending will return to normal making it difficult to forecast revenues for Crackle+. It very difficult to know the effect or duration of its effect on CSSE.

OWNERSHIP

Shares showed for Ashton Kutcher are based on the A+ transactions shares only. He may additional stock in CSSE or have sold the position, but that amount is not public information.



Source: Zacks Investment Research, data SEC filings

INCOME STATEMENT

Chicken Soup for the Soul Entertainment	Q1 2019 31-Mar	Q2 2019 30-Jun	Q3 2019 30-Sep	Q4 2019 31-Dec	Q1 2020 31-Mar	Q2 2020E 30-Jun	Q3 2020E 30-Sep	Q4 2020E 31-Dec	2018	2019	2020E	2021E
Television & Film Distribution	1.8	2.2	2.7	9.9	5.1	6.0	10.5	12.0	13.2	16.0	33.6	54.0
Yr-to-yr Growth	-45%	8%	6%	84%	184%	50%	294%	21%	349%	21%	110%	61%
Online Networks	0.7	10.0	14.4	14.9	9.0	7.5	11.0	14.0	4.4	40.0	41.5	58.0
Yr-to-yr Growth	16.5%	1281%	704%	1254%	1128%	-25%	-24%	-6%	454%	807%	4%	40%
Total revenue	2.5	12.2	17.0	24.8	14.1	13.5	21.5	25.0	27.8	56.6	75.1	112.0
Less returns and allowances	(0.3)	(0.2)	(0.3)	(0.4)	(0.9)	(0.3)	(0.3)	(0.3)	(0.9)	(1.2)	(1.4)	(1.4)
Net Revenue	**2.2**	**12.0**	**16.8**	**24.4**	**13.2**	**13.2**	**21.2**	**24.7**	**26.9**	**55.4**	**73.7**	**110.6**
Yr-to-yr Growth	-58%	299%	159%	106%	504%	10%	26%	1%	153%	104%	33%	50%
Cost of revenue without amortization	0.8	6.7	12.2	10.0	7.5	5.9	8.7	9.8	5.9	29.7	31.8	38.1
Gross Margin w/o amortization	1.4	5.5	4.8	14.4	5.8	7.3	12.5	14.9	21.0	25.6	43.3	73.9
Gross Margin %	56.7%	44.9%	28.2%	58.0%	43.6%	55.4%	58.9%	60.5%	75.6%	45.3%	57.7%	66.0%
Amortization of film library	0.9	1.6	1.4	6.9	2.4	2.2	2.7	4.0	6.5	10.7	11.3	13.0
Total cost of revenue	1.6	8.3	13.6	16.9	9.9	8.1	11.4	13.8	12.3	40.4	43.1	51.1
Gross profit	0.6	3.6	3.2	7.6	3.3	5.1	9.8	10.9	14.5	14.9	30.6	59.5
Gross Margin %	22.2%	29.9%	18.6%	30.4%	23.6%	37.8%	45.5%	43.7%	52.3%	26.4%	40.7%	53.1%
Operating expenses:												
SG&A (Ex-stock based comp)	2.6	4.4	6.1	8.1	6.6	6.8	6.8	8.0	9.8	21.2	28.2	49.5
Stock-based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	1.0	1.1	1.0	1.5
Amortization	0.2	0.7	4.7	7.7	5.2	4.8	4.5	2.0	0.3	13.3	16.5	6.0
Management and license fees due to affiliate	0.2	1.2	1.7	2.4	1.3	1.3	2.1	2.5	2.7	5.5	7.2	11.2
Total operating expenses	3.2	6.6	12.7	18.5	13.4	13.2	13.7	12.7	13.7	41.1	52.9	68.2
Operating income:	(2.7)	(3.0)	(9.6)	(10.900)	(10.0)	(8.1)	(3.9)	(1.8)	0.8	(26.1)	(22.3)	(8.7)
Operating margin	-106.4%	-24.4%	-56.1%	-43.9%	-71.1%	-59.7%	-18.1%	-7.2%	2.8%	-46.2%	-15%	-8%
Other income:												
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.6)	(0.7)	(0.4)	(0.8)	(0.8)	(1.0)
Loss on extingusihment of debt	0.0	0.0	(0.4)	-	0.0	0.0	0.0	0.0	0.0	(0.4)	0.0	0.0
Acquisition related costs	(0.4)	(2.3)	(1.1)	(0.2)	(0.1)	0.0	0.0	0.0	(0.4)	(4.0)	0.0	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
Gain from Acquisition	0.0	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other income	(0.5)	(2.4)	(1.6)	(0.6)	(0.4)	(0.3)	(0.6)	(0.7)	(0.7)	(5.1)	(0.8)	(1.0)
Income before income taxes	(3.2)	(5.4)	(11.2)	(11.5)	(10.5)	(8.4)	(4.5)	(2.5)	0.0	(31.2)	(23.1)	(9.7)
Pretax Margin	-127.2%	-44.0%	-65.6%	-46.1%	-74.1%	-62.1%	-20.8%	-9.9%	0.1%	-55.2%	-30.7%	-8.6%
Income taxes	(0.4)	(0.3)	1.2	0.028	0.0	0.0	0.0	0.0	0.9	0.6	0.2	(2.9)
Tax rate	14%	5%	-11%	0%	0%	-1%	-1%	-2%	3011%	-2%	-1%	30%
Profit before non-controlling	(2.8)	(5.1)	(12.4)	(11.5)	(10.5)	(8.4)	(4.5)	(2.5)	(0.8)	(31.8)	(23.3)	(6.8)
Minority income	0.0	0.00	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-	(0.1)	(0.3)	0.0
Net income	(2.8)	(5.1)	(12.4)	(11.4)	(10.5)	(8.4)	(4.4)	(2.4)	(0.8)	(31.7)	(23.6)	(6.8)
Yr-over-Yr	213%	264%	-3915%	-1091%	277%	63%	-64%	-79%	-104%	3648%	-26%	-71%
Preferred dividend	0.6	0.8	0.9	1.0	1.0	1.0	1.3	1.4	1.1	3.3	4.6	5.2
Net income to common shareholders	(3.4)	(5.9)	(13.3)	(12.4)	(11.4)	(9.3)	(5.7)	(3.8)	(2.0)	(35.0)	(28.2)	(12.0)
Stk based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	1.0	1.1	1.0	1.5
One-time expenses	0.4	3.5	1.1	0.6	2.2	0.0	0.0	0.0	1.3	8.1	-	-
Non-GAAP Income	(2.8)	(2.2)	(11.9)	(11.5)	(9.0)	(9.1)	(5.5)	(3.6)	0.3	(25.8)	(27.3)	(10.5)
Yr-over-Yr	309%	87%	32031%	-633%	225%	317%	-54%	-69%	-88%	-10332%	6%	-62%
Net income per share:												
Primary EPS	**(0.28)**	**(0.49)**	**(1.11)**	**(1.02)**	**(0.95)**	**(0.78)**	**(0.48)**	**(0.32)**	**(0.16)**	**(2.92)**	**(2.34)**	**(1.00)**
Non-GAAP EPS	(0.23)	(0.18)	(1.00)	(0.95)	(0.75)	(0.76)	(0.46)	(0.30)	0.02	(2.05)	(2.15)	(0.83)
Shares												
Basic	12.0	12.0	12.0	12.1	12.0	12.0	12.0	12.0	12.0	12.0	12.1	12.0
Yr-over-Yr	27.1%	22.2%	3.6%	3.3%	0%	0%	0%	-1%	19.2%	0%	1%	-1%
Diluted	12.1	14.8	12.6	12.6	12.6	12.6	12.6	12.6	12.0	12.6	12.6	12.6
Yr-over-Yr	4.1%	24.9%	6.3%	6.0%	4%	-15%	0%	-1%	17.3%	5%	1%	-1%
GAAP Adjusted EBITDA	(0.940)	1.277	(0.372)	5.816	2.037	0.161	4.398	5.293	10.0	6.0	9.7	15.6
EBITDA Margin	-37.2%	10.5%	-2.2%	23.4%	14.4%	1.2%	20.5%	21.2%	36.1%	11%	13%	14%

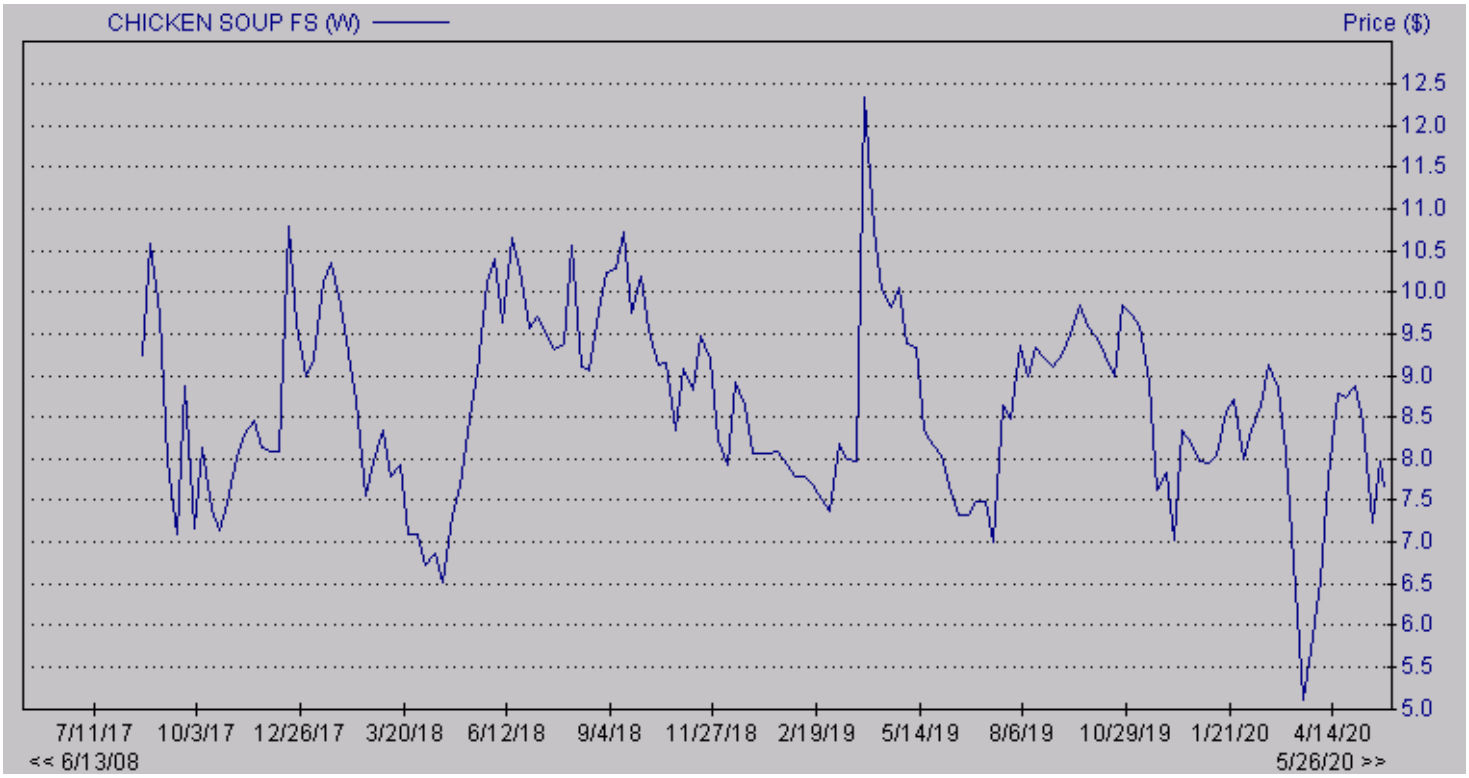
BALANCE SHEET

	Mar 31, 2020	Dec 31, 2019	Qtr-Qtr % Change	Pro Forma Mar 31, 2019	Yr-Yr % Change	Mar 31, 2019	Yr-Yr % Change
Assets							
Cash and cash equivalents	$7,121,339	$6,447,402	10.5%	$3,043,110	134.0%	$3,043,110	134.0%
Restricted cash	0	0	0.0%	750,000	-100.0%	750,000	-100.0%
Accounts receivable, net	25,017,923	34,661,119	-27.8%	27,391,862	-8.7%	10,305,684	142.8%
Prepaid expenses	862,153	861,190	0.1%	1,921,151	-55.1%	358,384	140.6%
Inventory, net	338,932	312,033	8.6%	286,601	18.3%	286,601	18.3%
Current programming rights	0	0	0.0%	2,516,101	-100.0%	0	NM
Goodwill	21,448,105	21,448,106	0.0%	62,259,857	-65.6%	2,537,079	745.4%
Indefinate lived intangible assets	12,163,943	12,163,943	0.0%	42,651,470	-71.5%	12,163,943	0.0%
Intangible assets, net	30,272,504	35,451,951	-14.6%	23,755,266	27.4%	2,780,505	988.7%
Film library, net	37,362,602	33,250,149	12.4%	27,287,110	36.9%	27,287,110	36.9%
Due from affiliated companies	6,790,980	7,642,432	-11.1%	3,198,936	112.3%	3,198,936	112.3%
Programming costs, net	15,546,857	14,459,271	7.5%	12,876,296	20.7%	12,876,296	20.7%
Programming rights	600,551	654,303	-8.2%	8,500,120	-92.9%	0	NM
Deferred tax asset	0	0	0.0%	917,000	-100.0%	917,000	-100.0%
Other assets, net	649,911	313,585	107.3%	337,362	92.6%	337,362	92.6%
Total assets	158,175,800	167,665,484	-5.7%	217,692,242	-27.3%	76,842,010	105.8%
Liabilities							
Current maturities of commercial loan	**3,200,000**	**3,200,000**	0.0%	**1,000,000**	220.0%	**1,000,000**	220.0%
Commercial loan & revolving LOC, net	**11,020,627**	**11,810,475**	-6.7%	**6,347,578**	73.6%	**6,347,578**	73.6%
Note payable under revolving credit facility	**5,000,000**	**5,000,000**	0.0%	**0**	NM	**0**	NM
Accounts payable and accrued expenses	27,315,709	26,646,390	2.5%	35,639,973	-23.4%	3,860,127	607.6%
Ad representation fees payable	11,552,967	12,429,838	-7.1%	1,018,603	1034.2%	0	NM
Film library acquisition obligations	6,909,100	5,020,600	37.6%	2,988,850	131.2%	2,988,850	131.2%
Programming obligations	7,300,861	7,300,861	0.0%	0	NM	0	NM
Accrued participation costs	5,861,388	5,066,512	15.7%	1,507,124	288.9%	1,507,124	288.9%
Other liabilities	229,846	170,106	35.1%	64,107	258.5%	64,107	258.5%
Deferred revenue	0	0	0.0%	12,938	-100.0%	12,938	-100.0%
Total liabilities	78,390,498	76,644,782	2.3%	49,752,580	57.6%	15,780,724	396.7%
Stockholder's equity							
Preferred stock	160	160	0.0%	106	50.9%	106	50.9%
Class A Common stock	426	425	0.2%	421	1.2%	421	1.2%
Class B Common stock	782	782	0.0%	782	0.0%	782	0.0%
Additional paid-in capital	87,854,864	87,610,030	0.3%	125,159,422	-29.8%	62,788,256	39.9%
Retained earnings	(44,123,009)	(32,695,629)	35.0%	(8,260,871)	434.1%	(1,095,550)	3927.5%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	(632,729)	0.0%	(632,729)	0.0%
Total stockholders' equity	43,100,494	54,283,039	-20.6%	116,267,131	-62.9%	61,061,286	-29.4%
Subsidiary convertible preferred stock	36,350,000	36,350,000	0.0%	0	NM	0	NM
Noncontrolling interests	334,809	387,663	-13.6%	0	NM	0	NM
Total equity	79,785,303	91,020,702	-12.3%	0	NM	0	NM
Total liabilities and stockholders' equity	158,175,801	167,665,484	-5.7%	217,692,242	-27.3%	76,842,010	105.8%
Cash as % of assets	5%	4%	17.1%	1%	222.1%	4%	13.7%
Cash per share	$0.59	$0.51	15.7%	$0.33	78.6%	$0.25	133.3%
Debt	$19,220,627	$20,010,475	-3.9%	$7,347,578	161.6%	$7,347,578	161.6%
Debt % of assets	7%	12%	-41.6%	3%	138.9%	8%	-15.7%

CASH FLOW

	Year 2018	3 Mo Ended Mar 31, 2019	3 Mo Ended Jun 30, 2019	3 Mo Ended Sep 30, 2019	3 Mo Ended Dec 31, 2019	Year 2019	3 Mo Ended Mar 31, 2020
Cash flows from operating activities:							
Net income	(844,972)	(2,773,430)	(5,117,583)	(12,431,861)	(11,483,277)	(31,806,151)	(10,505,962)
Adjustments to reconcile net income to net cash provided by operating activities:							
Share-based compensation	953,688	215,847	275,097	303,205	267,777	1,061,926	244,835
Amortization of programming costs	2,752,446	61,798	208,173	181,079	259,639	710,689	110,629
Amortization of deferred financing costs	57,161	25,823	25,824	20,416	10,337	82,400	10,152
Amortization of debt discount	-	-	-	-	-	-	-
Amortization of fixed assets &acq intangibles	326,986	205,623	729,991	4,695,522	7,662,143	13,293,279	5,204,728
Amortization of film library	6,459,431	871,126	1,389,735	1,214,610	6,706,695	10,182,166	2,441,081
Amortization of acquired assets	-	-	-	-	-	-	-
Bad debt expense	1,222,032	300,403	218,112	722,728	1,428,456	2,669,699	1,721,595
Loss on debt extinguishment	-	-	-	350,691	-	350,691	-
Deferred income taxes	373,000	(465,000)	(336,000)	1,253,000	-	452,000	-
Change in operating assets and liabilities:							
Trade accounts receivable	(5,989,864)	2,235,012	(9,635,183)	(8,731,904)	(8,357,644)	(24,489,719)	7,921,601
Prepaid expenses and other current assets	38,546	(135,279)	(1,101,092)	333,010	245,583	(657,778)	(21,984)
Inventory	106,896	(24,533)	12,978	(18,294)	(20,116)	(49,965)	(26,899)
Programming costs and rights	(8,267,551)	(147,605)	(1,347,281)	(127,181)	(529,602)	(2,151,669)	(1,144,463)
Film library	(9,142,288)	(2,819,734)	(5,282,034)	(2,032,585)	(7,959,460)	(18,093,813)	(6,553,534)
Other assets	95,269	-	-	-	-	-	-
Accounts payable and accrued expenses	3,366,143	(1,218,678)	15,483,287	3,533,202	6,368,167	24,165,978	(207,552)
Film library acquisition obligations	2,052,200	273,250	2,564,250	182,000	(714,500)	2,305,000	1,888,500
Accrued participation costs	(1,081,278)	(32,015)	(392,967)	194,418	3,757,937	3,527,373	794,876
Other liabilities	269,974	(350,400)	83,001	(5,002)	28,001	(244,400)	59,740
Deferred revenues	(508,531)	6,469	(12,938)	-	-	(6,469)	-
Net cash used by operating activities	(7,760,712)	(3,771,323)	(2,234,630)	(10,362,946)	(2,329,864)	(18,698,763)	1,937,343
Cash flows from Investing activities:							
Expenditures for property and equipment							(340,586)
Business acquisition, net	190,587	-	-	-	-	-	-
Increase in due from affiliated companies	(4,340,458)	(1,985,500)	(1,912,987)	(1,898,142)	(632,367)	(6,428,996)	851,452
Net cash used in investing activities	(4,149,871)	(1,985,500)	(1,912,987)	(1,898,142)	(632,367)	(6,428,996)	510,866
Cash flows from Financing activities:							
Proceeds from revolving credit facility, related	200,000	-	-	-	-	-	-
Repayments of revolving credit facility, related	(1,700,000)	-	(500,000)	500,000	-	-	-
Proceeds from commercial loan	-	-	-	8,665,000	-	8,665,000	-
Repayments of commercial loan	(583,334)	(260,358)	260,358	(666,667)	(800,000)	(1,466,667)	(800,000)
Proceeds from revolving credit facility	-	-	-	-	5,000,000	5,000,000	-
Payment of stock issuance cost	(1,956,393)	(288,160)	(538,295)	(663,251)	-	(1,489,706)	-
Proceeds from issuance of common stock under equity plans			160,161	-	-	160,161	
Payment of deferred financing costs	(391,714)	-	(12,348)	(179,656)	(11,059)	(203,063)	-
Proceeds from Series A preferred stock	19,612,438	3,500,000	6,987,625	6,525,000	-	17,012,625	-
Common stock repurchases in treasury	(632,729)	-	-	-	-	-	-
Dividends paid to common stockholders	(5,182,549)	-	-	-	-	-	-
Dividends paid to preferred stockholders	(926,363)	(603,307)	(797,981)	(929,387)	(974,272)	(3,304,947)	(974,272)
Proceeds from notes payable	8,500,000	-	-	-	-	-	-
Net cash provided by financing activities	16,939,356	2,348,175	5,559,520	13,251,039	4,014,669	24,373,403	(1,774,272)
Net change - cash	5,028,773	(3,408,648)	1,411,903	989,951	1,052,438	(754,356)	673,937
Cash, beginning of quarter	2,172,985	7,201,758	3,793,110	5,205,013	6,194,964	7,201,758	6,447,402
Cash, end of period	7,201,758	3,793,110	5,205,013	6,194,964	7,247,402	6,447,402	7,121,339
Supplemental information:							
Interest paid	267,064	117,453	120,739	256,142	228,680	605,561	217,222
Income taxes paid	-	-	-	-	-	-	-
Cash Flow	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)	4,851,770	(3,003,301)	(772,942)
Free cash flow	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)	4,851,770	(3,003,301)	(1,113,528)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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