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Zacks Small-Cap Research

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Chicken Soup For The Soul Entertainment (NASDAQ: CSSE)

The Worst is Over: A Normalizing Ad Business Plus a hit with *The Outpost* Should Result in a Strong Q3

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 $34.00 per share. A strategic acquirer might pay much more.

Current Price (08/14/20)	$10.93
Valuation	**$34.00**

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. In July advertising returned to normal levels (minus PlayStation Vue business) and Crackle viewership continues to grow portending a booming 2021. Comps and recent acquisitions in the streaming space show CSSE to be undervalued versus its peers.

SUMMARY DATA

52-Week High	**$11.02**
52-Week Low	**$5.01**
One-Year Return (%)	**16.9**
Beta	**1.4**
Average Daily Volume (sh)	**35,749**
Shares Outstanding (mil)	**12.6**
Market Capitalization ($mil)	**$131**
Short Interest Ratio (days)	**8.4**
Institutional Ownership (%)	**14**
Insider Ownership (%)	**73**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**100.5**
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 Growth**
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	$13.5 A	$18.0 E	$21.6 E	$68.2 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	-$0.83 A	-$0.60 E	-$0.42 E	-$2.88 E
2021					-$0.93 E

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WHAT'S NEW

The Worst is Over

The pandemic has caused short-term pluses and minuses for Chicken Soup for the Soul Entertainment, but the minuses are abating as businesses return to normal and advertising picks up. The company has benefited from general trends such as increased online viewership, the dearth of new content, the shut down of movie theatres, and the stoppage of live action sports. It has continued to roll out new content that was produced in earlier periods and had great success in releasing movies via paid video on demand. Eliminating limited theatrical release has reduced costs, as the company was often lucky to just break even with lower revenue films given the economics involved. In contrast, by sending content to TVOD instead, CSSE books somewhere between 50 and 70 percent of revenues of the rental fee.

In Q3 the ad business returned to normal at Crackle + after a horrific April, a weak May, and an improving June. Crackle Plus had a record high week of ad sales for in the first week of July. We also expect the upcoming election will create particularly strong ad demand. Online lends itself particularly well to political ads as they can be quickly purchased and run as opposed to the lead time required for television advertising. Keep in mind that this year ad revenues are impacted by the shuttering of the PlayStation Vue service in January which contributed approximately $6 million in revenues per quarter last year.

Crackle+ averaged approximately 38 million video streams per month in Q2 compared to 50 million in Q1. In the quarter original and exclusive content was 17% of streaming hours up from almost 15% of streaming hours in Q1 2020. Performance was driven by continuing demand for hits, including *Going From Broke*, produced by Aston Kutcher, which was released last fall and was recently green lit for Season 2 and *On Point*, a basketball documentary series released earlier this year.

Q2 2020 Results

Chicken Soup for the Soul Entertainment came in with Q2 revenues and EBITDA above our forecasts. Net revenues were $13.5 million versus $12.0 million a year ago, up 13%. The Television and Film Distribution segment reported $8.5 million in revenues compared to $2.2 million last year. Online networks declined to $5.4 million from $14.4 million a year ago. This decline was due to the rapid fall off of advertising revenues at the beginning of the pandemic (which returned to normal levels as of July) combined with the loss of low margin ad revenues from the now shut down PlayStation Vue service. Revenues from that service contributed approximately $3 million in sales to the Q2 2019 quarter. Without that $3 million in last year's quarter, online network revenues would have been $11.4 million.

Gross margin after film library amortization was 4.2% down from 29.9% a year ago due to an unexpectedly large amortization. This was below the 30.4% in Q4 that had much higher revenues. Before amortization, gross margin was a healthy 51.7% compared to 44.9% a year ago. 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 expand.

Operating expenses increased to $13.6 million versus just $6.6 million last year. The biggest increase was from amortization, which by itself added $4.5 million in expense.

Other expense was a gain of $4.0 compared to an expense of $2.4 a year ago. Without the one-time true up with Sony and last year's acquisition costs, other expense would have been an expense of $334,000 versus $146,000, owing entirely to interest expense. This true up occurred on the one-year anniversary of the Crackle joint venture and was a reversal of accrued expenses that did not occur. We do not expect this to happen again in the future.

Net loss to common shareholders was a loss of $10.0 million, an improvement sequentially from a loss of $11.4 million in Q1 2020 but greater than the loss of $5.9 million in Q2 2019. GAAP loss per share was $0.83 versus a loss of $0.49 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 $0.99 per share versus a loss of $0.18 per share a year ago.

Fortunately the company is run on EBITDA due to high amortization costs distorting the profitability of the enterprise. For Q2 EBITDA beat expectations and was a positive $2.7 million compared to $2.0 million in Q1 2020 and $1.3 million in Q2 2019. We expect EBITDA to continue to improve.

Balance Sheet

CSSE ended the quarter with $4.7 million in cash and $18.4 million in debt compared to $4.5 million and $7.1 million last year. Since then the company has had two significant capital raises.

CSSE sold **$22 million** of 9.5% notes due 2025 that trade under the symbol "CSSEN." Interest payments are quarterly. They are redeemable at any time on or after July 31, 2022 or upon a change of control at the redemption price of par plus accrued interest. Egan-Jones Ratings Company rates the notes BBB. CSSE used approximately $13.2 million of the net proceeds to repay the entirety of the outstanding principal and unpaid accrued interest under the loan with Patriot Bank, N.A.

The company also sold 625,000 common shares at $8 per share in a private placement to Cole Investments and the Landmark Studio group venture generating gross proceeds of $5 million. Because of these two transactions and the repayment, the company's current cash balance is over $8 million.

Subsequent Events

On July 3rd the company released Millennia Media's film *The Outpost* to video on demand. The Outpost was the number one movie in America for much of the month of July. It is a screen adaptation of the book of the same name by Jake Tapper, CNN reporter and is based on a true story. It is an Afghanistan war drama set at Combat Outpost Keating, located in Afghanistan, where 53 Americans prevailed against nearly 400 Taliban fighters in a daylong clash on Oct. 3, 2009. It was directed by Rod Lurie and stars Scott Eastwood, Caleb Landry Jones, and Orlando Bloom and has been a top selling movie on VOD platforms since its release. Even today it is the number six movie on Apple iTunes and has generated almost a $1 million in overseas box office revenues. It was not released to theaters in the US. After its VOD run, the movie will be sold on DVD, followed thereafter by a license to Netflix, and it will ultimately become available on the company's Crackle service.



Source: Chicken Soup for the Soul Entertainment

Q4 Release

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 the company is working to have it be released in Q4.

CSSE's NewFronts

Spides – an eight part sci-fi series set in in Berlin about a young woman who wakes from a coma with amnesia after taking a mysterious club drug. Detectives hunt down the source of the drug and dozens of missing teens. She discovers a conspiracy of aliens using drugs, which allow them to use humans as host bodies. Stars Rosabell Laurenti Sellers and Falk Hentschel. It launches later this year.

Landmark Studios

Landmark plans to start production on up to five movies or TV series in the second half of the year and plans to deliver two by year-end. These include:

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. It is a10-episode hour-long supernatural thriller series based on James Seale's graphic novel. It is produced by James Seale and directed by Brad Turner.

Shadows in the Vineyard -- partnering with District 33, this will be a new drama series with award-winning actors, Noah Wyle and Judith Light. It is a limited event drama series based on journalist Maximillian Potter's bestselling book S*hadows in the Vineyard: The True Story of the Plot to Poison The World's Greatest Wine*. It is based on the true story of a 2010 plot-by-poison extortion scheme that targeted Romanée-Conti, the most sought-after and expensive wine in the world.

Trigger Point – CSSE has acquired the AVOD rights to this first of a series of new action films.

Other upcoming non-scripted and documentary originals include: a four-part *History of Gangster Rap, World's Smartest Homes,* and *Sports Confidential.*

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 $68 million. Our valuation for the company is $34.00 per share, based EV/Sales peer multiples. 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.) It now has partnerships with tow major production studios to create even more original content. 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 **$34.00 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	$13,260	$13,180	$12,810	$2,780	2.2x	2.2x	2.3x	10.5x	y	29,090
fuboTV	FUBO	NA	NA	$151	NA	NA	NA	9.4x	NA	y	1,426
Gaia	GAIA	$82	$66	$59	-$1	2.8x	3.5x	3.9x	-333.8x	y	233
Netflix	NFLX	$29,190	$24,850	$22,630	$3,860	7.3x	8.6x	9.5x	55.6x	y	214,500
Roku	ROKU	$2,110	$1,580	$1,350	-$102	8.4x	11.2x	13.1x	-173.3x	y	17,750
WWE	WWE	$1,150	$992	$1,020	$284	3.9x	4.5x	4.4x	15.9x	y	4,500
Average					**939.2**	**4.9x**	**6.0x**	**7.1x**	**-85.0x**		**44,583**

	Revenue		TTM	Enterprise Value / Sales		Valuation Range	
	2020E	LTM	EBITDA	2020E	LTM	Low	High
Chicken Soup	**$66**	**$68**	**4.0**	**6.0x**	**7.1x**	**$400**	**$484**

Conclusion of Enterprise Value	**$441,865,942**
Market Value	**$428,302,869**
Diluted Shares Outstanding	12,581,985
Price per Share	**$34.04**

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.

M&A Transactions

CuriousityStream is in the process of going public through a SPAC (Software Acquisition Group) and is expected to be purchased for an enterprise value of $331 million. In 2019 it generated $18 million in revenues and $7.5 million in the March 2020 quarter. It will ultimately trade under the ticker symbol CURI.

In July, NBCUniversal's Fandango division bought Vudu, which primarily a pay-per-view business with an AVOD component as well as Xumo a pure AVOD. Vudu was owned by Wal-Mart, which purchased it in 2010 for $100 million.

In June, Fox bought 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**.

On April 1, 2020, Facebank Group merged with FuboTV, the sports focused streaming channel. The name was changed to FuboTV and the ticker to FUBO. The company has since filed for a $100 million IPO. The company has 42.1 million shares of common stock outstanding and a stock price of $10.87. There are another 82.3 million shares upon conversion of the convertible preferreds. Together that is 124.4 million shares or an enterprise value of $1.4 billion. Pro forma FuboTV generated $151 million in revenues in 2019.

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.

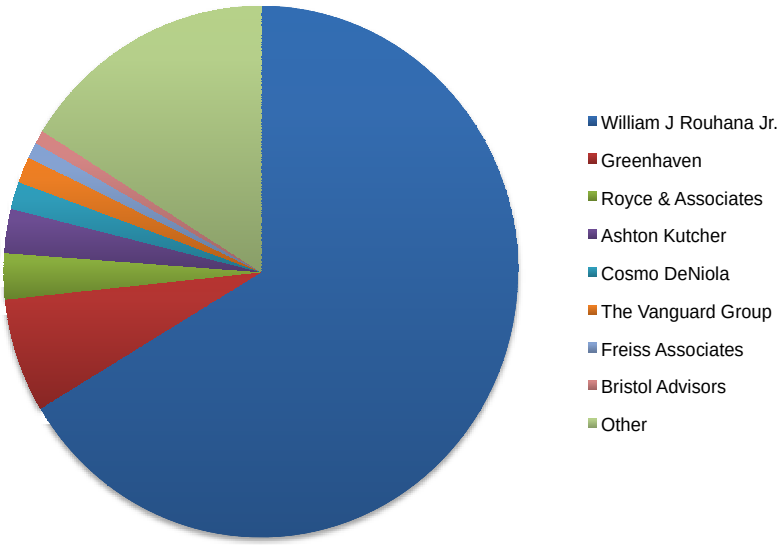
Hasbro bought Entertainment One, the Canadian indie studio for $4 billion in cash. In the year ending March 31, 2019, the company reported revenues of $1.2 billion. This purchase price is **3.3 times** those revenues.

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 2020 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	8.5	10.0	12.0	13.2	16.0	35.6	54.0
Yr-to-yr Growth	-45%	8%	6%	84%	184%	113%	276%	21%	349%	21%	123%	52%
Online Networks	0.7	10.0	14.4	14.9	9.0	5.4	8.3	9.9	4.4	40.0	32.6	58.0
Yr-to-yr Growth	16.5%	1281%	704%	1254%	1128%	-46%	-42%	-34%	454%	807%	-19%	78%
Total revenue	2.5	12.2	17.0	24.8	14.1	13.9	18.3	21.9	27.8	56.6	68.2	112.0
Less returns and allowances	(0.3)	(0.2)	(0.3)	(0.4)	(0.9)	(0.4)	(0.3)	(0.3)	(0.9)	(1.2)	(1.9)	(1.4)
Net Revenue	**2.2**	**12.0**	**16.8**	**24.4**	**13.2**	**13.5**	**18.0**	**21.6**	**26.9**	**55.4**	**66.3**	**110.6**
Yr-to-yr Growth	-58%	299%	159%	106%	504%	13%	7%	-12%	153%	104%	20%	67%
Cost of revenue without	0.8	6.7	12.2	10.0	7.5	6.5	6.9	8.2	5.9	29.7	29.1	38.1
Gross Margin w/o amortization	1.4	5.5	4.8	14.4	5.8	7.0	11.1	13.4	21.0	25.6	39.1	73.9
Gross Margin %	56.7%	44.9%	28.2%	58.0%	43.6%	51.7%	61.5%	61.9%	75.6%	45.3%	57.3%	66.0%
Amortization of film library	0.9	1.6	1.4	6.9	2.4	6.4	3.6	4.3	6.5	10.7	16.8	13.0
Total cost of revenue	1.6	8.3	13.6	16.9	9.9	12.9	10.5	12.5	12.3	40.4	45.9	51.1
Gross profit	0.6	3.6	3.2	7.6	3.3	0.6	7.5	9.0	14.5	14.9	20.4	59.5
Gross Margin %	22.2%	29.9%	18.6%	30.4%	23.6%	4.2%	40.8%	41.3%	52.3%	26.4%	29.9%	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	0.9	1.2
Amortization	0.2	0.7	4.7	7.7	5.2	5.2	4.5	2.0	0.3	13.3	16.9	6.0
Management and license fees due to affiliate	0.2	1.2	1.7	2.4	1.3	1.4	1.8	2.2	2.7	5.5	6.6	11.2
Total operating expenses	3.2	6.6	12.7	18.5	13.4	13.6	13.4	12.4	13.7	41.1	52.8	67.9
Operating income:	(2.7)	(3.0)	(9.6)	(10.900)	(10.0)	(13.1)	(5.9)	(3.3)	0.8	(26.1)	(32.3)	(8.4)
Operating margin	-106.4%	-24.4%	-56.1%	-43.9%	-71.1%	-94.0%	-32.2%	-15.3%	2.8%	-46.2%	24%	-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)	(0.4)	(0.7)	(0.4)	(0.8)	(1.8)	(1.0)
Loss on extinguishment 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)	(0.1)	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	4.3	0.0	0.0	0.0	0.0	4.3	0.0
Total other income	(0.5)	(2.4)	(1.6)	(0.6)	(0.4)	4.0	(0.4)	(0.7)	(0.7)	(5.1)	2.5	(1.0)
Income before income taxes	(3.2)	(5.4)	(11.2)	(11.5)	(10.5)	(9.1)	(6.3)	(4.0)	0.0	(31.2)	(29.8)	(9.4)
Pretax Margin	-127.2%	-44.0%	-65.6%	-46.1%	-74.1%	-65.2%	-34.3%	-18.4%	0.1%	-55.2%	-43.7%	-8.4%
Income taxes	(0.4)	(0.3)	1.2	0.028	0.0	0.0	0.0	0.0	0.9	0.6	0.1	(2.8)
Tax rate	14%	5%	-11%	0%	0%	0%	0%	0%	3011%	-2%	0%	30%
Profit before non-controlling	(2.8)	(5.1)	(12.4)	(11.5)	(10.5)	(9.1)	(6.3)	(4.1)	(0.8)	(31.8)	(29.9)	(6.6)
Minority income	0.0	0.00	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	-	(0.1)	(0.2)	0.0
Net income	(2.8)	(5.1)	(12.4)	(11.4)	(10.5)	(9.0)	(6.2)	(4.0)	(0.8)	(31.7)	(30.2)	(6.6)
Yr-over-Yr	213%	264%	-3915%	-1091%	277%	76%	-50%	-65%	-104%	3648%	-5%	-78%
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)	(10.0)	(7.5)	(5.4)	(2.0)	(35.0)	(34.8)	(11.8)
Stk based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	1.0	1.1	0.9	1.2
One-time expenses	0.4	3.5	1.1	0.6	2.2	(2.1)	0.0	0.0	1.3	8.1	0.1	-
Non-GAAP Income	(2.8)	(2.2)	(11.9)	(11.5)	(9.0)	(11.9)	(7.3)	(5.1)	0.3	(25.8)	(33.8)	(10.6)
Yr-over-Yr	309%	87%	32031%	-633%	225%	444%	-39%	-55%	-88%	-10332%	31%	-69%
Net income per share:												
Primary EPS	**(0.28)**	**(0.49)**	**(1.11)**	**(1.02)**	**(0.95)**	**(0.83)**	**(0.60)**	**(0.42)**	**(0.16)**	**(2.92)**	**(2.88)**	**(0.93)**
Non-GAAP EPS	(0.23)	(0.18)	(1.00)	(0.95)	(0.75)	(0.99)	(0.58)	(0.41)	0.02	(2.05)	(2.67)	(0.80)
Shares												
Basic	12.0	12.0	12.0	12.1	12.0	12.0	12.6	12.6	12.0	12.0	12.1	12.6
Yr-over-Yr	27.1%	22.2%	3.6%	3.3%	0%	0%	5%	5%	19.2%	0%	1%	5%
Diluted	12.1	14.8	12.6	12.6	12.6	12.6	13.2	13.2	12.0	12.6	12.6	13.2
Yr-over-Yr	4.1%	24.9%	6.3%	6.0%	4%	-15%	5%	5%	17.3%	5%	1%	5%
GAAP Adjusted EBITDA	(0.940)	1.277	(0.372)	5.816	2.037	2.691	3.243	4.035	10.0	6.0	11.5	15.6
EBITDA Margin	-37.2%	10.5%	-2.2%	23.4%	14.4%	19.4%	17.7%	18.4%	36.1%	11%	17%	14%

Source: SEC Filings

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BALANCE SHEET

	June 30, 2020	Mar 31, 2020	Qtr-Qtr % Change	June 30, 2019	Yr-Yr % Change
Assets					
Cash and cash equivalents	$4,655,317	$7,121,339	-34.6%	**$4,455,013**	4.5%
Restricted cash	0	0	0.0%	750,000	-100.0%
Accounts receivable, net	22,573,432	25,017,923	-9.8%	19,722,755	14.5%
Prepaid expenses	1,485,557	862,153	72.3%	1,459,473	1.8%
Inventory, net	0	338,932	-100.0%	273,623	-100.0%
Goodwill	21,448,106	21,448,105	0.0%	12,466,680	72.0%
Indefinate lived intangible assets	12,163,943	12,163,943	0.0%	42,651,470	-71.5%
Intangible assets, net	25,093,057	30,272,504	-17.1%	23,039,766	8.9%
Film library, net	41,105,470	37,362,602	10.0%	31,179,409	31.8%
Due from affiliated companies	4,996,754	6,790,980	-26.4%	5,111,923	-2.3%
Programming costs, net	16,418,308	15,546,857	5.6%	14,015,404	17.1%
Programming rights	0	600,551	-100.0%	981,830	-100.0%
Deferred tax asset	0	0	0.0%	1,253,000	-100.0%
Other assets, net	5,303,550	649,911	716.0%	322,873	1542.6%
Total assets	155,243,494	158,175,800	-1.9%	157,683,219	-1.5%
Liabilities					
Current maturities of commercial loan	**3,200,000**	**3,200,000**	0.0%	**1,000,000**	220.0%
Current programming obligations	0	670,907	-100.0%	0	0.0%
Non-current programming obligations	0	502,500	-100.0%	0	0.0%
Commercial loan & revolving LOC, net	**10,230,781**	**11,020,627**	-7.2%	**6,121,411**	67.1%
Note payable under revolving credit facility	**5,000,000**	**5,000,000**	0.0%	**0**	NM
Accounts payable and accrued expenses	30,041,385	27,315,709	10.0%	18,449,712	62.8%
Ad representation fees payable	8,511,033	11,552,967	-26.3%	3,772,084	125.6%
Film library acquisition obligations	8,335,600	6,909,100	20.6%	5,553,100	50.1%
Programming obligations	6,416,012	7,300,861	-12.1%	7,300,862	-12.1%
Accrued participation costs	12,064,073	5,861,388	105.8%	1,114,157	982.8%
Other liabilities	1,484,050	229,846	545.7%	147,107	908.8%
Total liabilities	85,282,934	78,390,498	8.8%	43,458,433	96.2%
Redeemable noncontrolling interest	0	51,672,531	-100.0%	0	0.0%
Stockholder's equity					
Preferred stock	160	160	0.0%	134	19.4%
Class A Common stock	426	426	0.0%	423	0.7%
Class B Common stock	782	782	0.0%	782	0.0%
Additional paid-in capital	88,084,137	87,854,864	0.3%	84,995,345	3.6%
Retained earnings	(54,133,136)	(44,123,009)	22.7%	(7,011,627)	672.0%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	(632,729)	0.0%
Total stockholders' equity	33,319,640	43,100,494	-22.7%	77,352,328	-56.9%
Subsidiary convertible preferred stock	36,350,000	36,350,000	0.0%	36,350,000	0.0%
Noncontrolling interests	290,920	334,809	-13.1%	522,458	-44.3%
Total equity	69,960,560	79,785,303	-12.3%	114,224,786	-38.8%
Total liabilities and stockholders' equity	155,243,494	158,175,801	-1.9%	121,333,219	27.9%
Cash as % of assets	3%	5%	-33.4%	3%	6.1%
Cash per share	$0.37	$0.59	-37.9%	$0.37	-1.1%
Debt	$18,430,781	$19,220,627	-4.1%	$7,121,411	158.8%
Debt % of assets	7%	7%	-5.4%	5%	30.6%

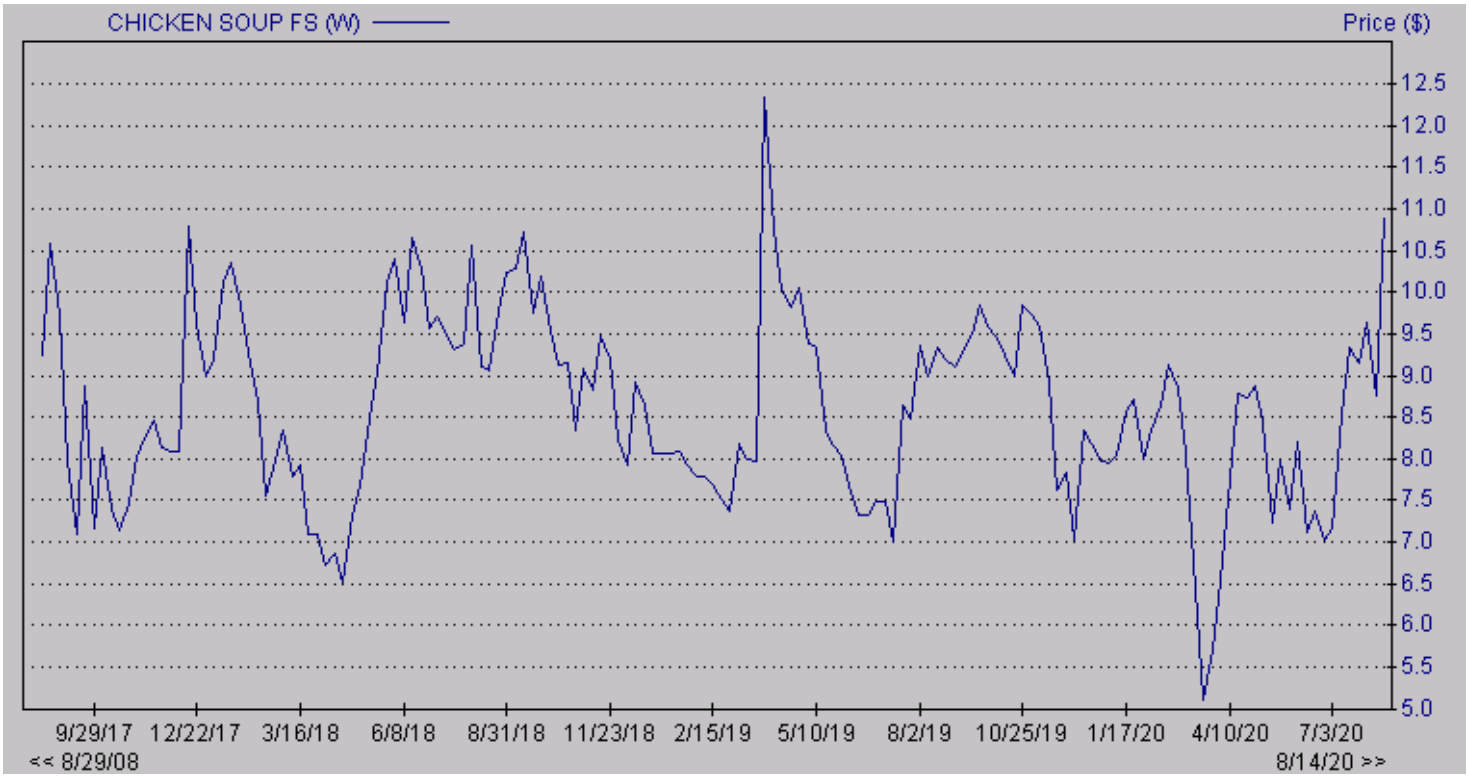
Source: SEC Filings

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	3 Mo Ended Jun 30, 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)	(9,079,744)
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	229,273
Amortization of programming costs	2,752,446	61,798	208,173	181,079	259,639	710,689	110,629	54,764
Amortization of deferred financing costs	57,161	25,823	25,824	20,416	10,337	82,400	10,152	10,154
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	5,496,972
Amortization of film library	6,459,431	871,126	1,389,735	1,214,610	6,706,695	10,182,166	2,441,081	6,359,392
Amortization of acquired assets	-	-	-	-	-	-	-	-
Bad debt expense & video return expense	1,222,032	300,403	218,112	722,728	1,428,456	2,669,699	1,721,595	812,741
Relaized & unrealized losses on mkt securities	-	-	-	-	-	-	-	100,607
Provision for returns and allowances	-	-	-	-	-	-	-	-
Other non-operting income	-	-	-	-	-	-	-	(5,404,482)
Impairment of programming costs	-	-	-	-	-	-	-	-
Loss on debt extinguishment	-	-	-	350,691	-	350,691	-	-
Gain on purchase of Screen Media	-	-	-	-	-	-	-	-
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	1,631,750
Prepaid expenses and other current assets	38,546	(135,279)	(1,101,092)	333,010	245,583	(657,778)	(21,984)	(1,070,937)
Inventory	106,896	(24,533)	12,978	(18,294)	(20,116)	(49,965)	(26,899)	26,899
Programming costs and rights	(8,267,551)	(147,605)	(1,347,281)	(127,181)	(529,602)	(2,151,669)	(1,144,463)	(325,664)
Film library	(9,142,288)	(2,819,734)	(5,282,034)	(2,032,585)	(7,959,460)	(18,093,813)	(6,553,534)	(10,102,260)
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)	488,224
Film library acquisition obligations	2,052,200	273,250	2,564,250	182,000	(714,500)	2,305,000	1,888,500	541,651
Accrued participation costs	(1,081,278)	(32,015)	(392,967)	194,418	3,757,937	3,527,373	794,876	6,202,685
Other liabilities	269,974	(350,400)	83,001	(5,002)	28,001	(244,400)	59,740	1,254,204
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	(2,773,771)
Cash flows from Investing activities:								
Expenditures for property and equipment	-	-	-	-	-	-	(340,586)	(46,800)
Sale of marketable securities								
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	1,794,226
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	2,082,021
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)	(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)	(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)	(1,774,272)
Net change - cash	5,028,773	(3,408,648)	1,411,903	989,951	1,052,438	(754,356)	673,937	(2,466,022)
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	7,121,339
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	4,655,317
Supplemental information:								
Interest paid	267,064	117,453	120,739	256,142	228,680	605,561	217,222	226,359
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)	(1,420,323)
Free cash flow	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)	4,851,770	(3,003,301)	(1,113,528)	(1,467,123)

Source: SEC Filings

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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