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Zacks Small-Cap Research

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

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

Chicken Soup For The Soul Entertainment (NASDAQ: CSSE)

Sony Opts to Sell its 49% of Crackle Plus to CSSE for a Combination of Cash and Preferred Adding to $40 Million

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 $37.00 per share. A strategic acquirer might pay much more.

Current Price (12/15/20)	$19.00
Valuation	**$37.00**

OUTLOOK

Chicken Soup for the Soul Entertainment will be acquiring Sony's portion of Crackle + 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 with 40% growth. Comps and recent acquisitions in the streaming space show CSSE to be undervalued versus its peers.

SUMMARY DATA

52-Week High	**$19.00**
52-Week Low	**$5.01**
One-Year Return (%)	**133**
Beta	**1.7**
Average Daily Volume (sh)	**50,071**
Shares Outstanding (mil)	**12.7**
Market Capitalization ($mil)	**$241**
Short Interest Ratio (days)	**8.4**
Institutional Ownership (%)	**13**
Insider Ownership (%)	**73**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**97.7**
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	$19.4 A	$21.7 E	$67.8 E
2021					$95.0 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	-$1.04 A	-$0.54 E	-$3.47 E
2021					-$1.14 E

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WHAT'S NEW

Sony's Decides to Sell its Ownership in Crackle Plus for Preferred Stock and Cash

Yesterday Chicken Soup for the Soul Entertainment announced that Sony decided exercise its option to sell its 49% of the equity in Crackle Plus and take $40 million in consideration comprised of an undetermined combination of cash and preferred stock from CSSE. This now gives CSSE full ownership and control of Crackle Plus. The different operations of CSSE will no longer have to pay each other for various content and services simplifying the business. If CSSE opts to give Sony 100% preferred stock and no cash, that would amount to maximum interest payments of $3.9 million per year ($40 million at 9.75%). CSSE ended the September with $9.2 million in cash and $21.0 million in debt and is cash flow positive.

Review of Crackle Plus Transaction

CSSE created its Crackle Plus subsidiary on May 14, 2019. In consideration for assets contributed to Crackle Plus by CPE Holdings, Inc., an affiliate of Sony and Crackle, Inc., Crackle Plus issued to Crackle 37,000 units of preferred equity and 1,000 units of common equity. In consideration for assets contributed to Crackle Plus by CSSE, Crackle Plus gave it 99,000 common units.

As additional consideration to CPEH, CSSR issued to CPEH four million warrants to purchase Class A common stock as follows:

- 800,000 warrants exercisable at $8.13 per share ($6.5 million)
- 1.2 shares warrants exercisable at $9.67 per share ($11.6 million)
- 380,000 warrants exercisable at $11.61 per share ($4.4 million)
- 1.62 million warrants exercisable at $11.61 per share ($18.8 million)

All of which are in the money and would **raise $41.3 million in cash** if exercised. All the CSSE warrants have a five-year term and are exercisable at any time. If it were to exercise all its warrants, **Sony would own 24%** of CSSE.

We are leaving our forecasts as is, until we see how CSSE pays the $40 million. It has 30 days from yesterday to make payment.

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 will now own the entire Crackle OTT business for $40 million in consideration. 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 $37.00 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 and it now has partnerships with 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. Its purchase of Crackle launched the company into the big leagues as an entity in the top two with PlutoTV (now owned by ViacomCBS) 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 **$37.00 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
CuriosityStream	CURI	$71	$40	$35	-$30	4.8x	8.7x	9.8x	-11.5x	y	344
DISH	DISH	$14,910	$14,080	$14,180	$3,170	1.9x	2.0x	2.0x	8.9x	y	28,230
fuboTV	FUBO	$426	$239	$111	-$123	3.7x	6.5x	14.0x	NA	y	1,560
Gaia	GAIA	$80	$66	$63	$4	2.7x	3.3x	3.5x	53.3x	y	218
Netflix	NFLX	$29,440	$24,950	$23,820	$4,200	7.5x	8.8x	9.3x	52.5x	y	220,400
Roku	ROKU	$2,380	$1,730	$1,540	-$54	12.0x	16.5x	18.6x	-532.4x	y	28,600
WWE	WWE	$1,110	$982	$1,060	$309	3.0x	3.4x	3.1x	10.8x	y	3,330
Average					**1,250**	**4.7**	**6.2**	**7.8**	**-76.7**		**47,020**

	Revenue		TTM	Enterprise Value / Sales		Valuation Range	
	2020E	LTM	EBITDA	2020E	LTM	Low	High
Chicken Soup	**$68**	**$71**	**4.0**	**6.2x**	**7.8x**	**$421**	**$552**

Conclusion of Enterprise Value	**$486,974,417**
Market Value	**$473,411,344**
Diluted Shares Outstanding	12,670,884
Price per Share	**$37.36**

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

Funimation, a joint venture between Sony Pictures Entertainment and Aniplex, a subsidiary of Sony Music Entertainment just acquired Crunchyroll, an anime-streaming service, from AT&T for $1.2 billion in cash. Crunchyroll was founded in 2006 in San Francisco and has 90 million registered users and 3 million paying subscribers in more than 200 countries in North America and Europe. Crunchyroll is an AVOD that can be purchased ad-free for $7.99 a month.

CuriousityStream (NASDAQ: CURI) just went public through a SPAC (Software Acquisition Group) and now trades an enterprise value of $344 million. In 2019 it generated $18 million in revenues and expects $39.5 million in 2020 and $71 million in 2021. In its third quarter it generated $8.7 million in sales giving it a $34.8 million run rate. In its September quarter it has negative EBITDA of $6.7 million.

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. 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.

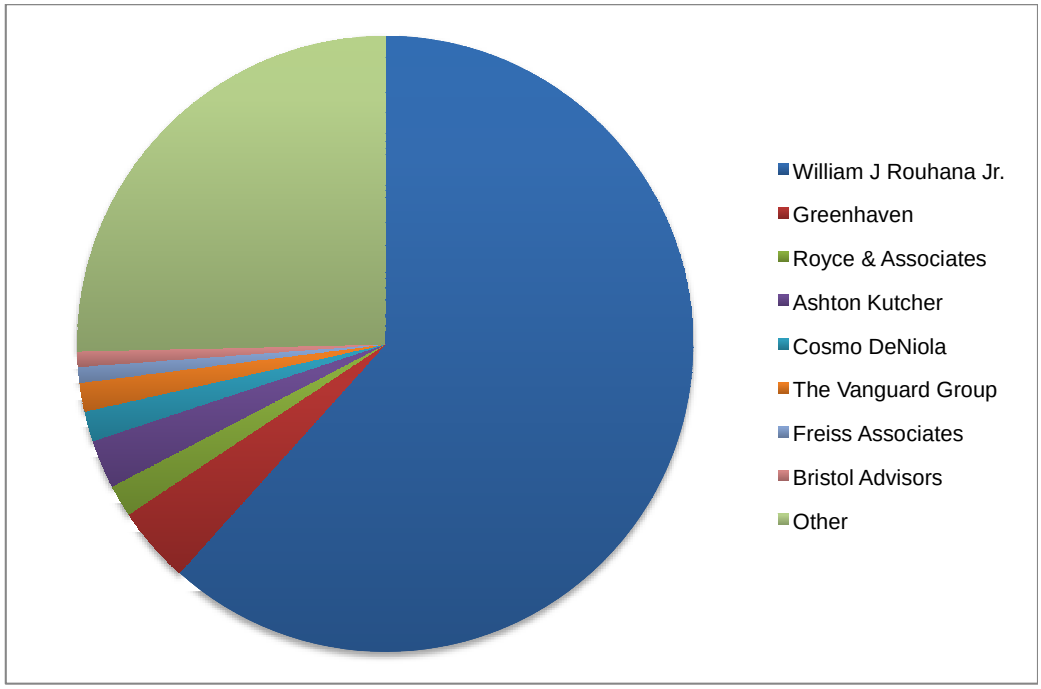
RISKS

- CSSE has transformed the formerly money losing Crackle into a growing cash flow positive entity. However, its acquisition of the Crackle Plus 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.
- The company has to pay interest on preferred stock reducing the returns to common shareholders.

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.



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 2020 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	13.3	11.0	13.2	16.0	37.9	52.4
Yr-to-yr Growth	-45%	8%	6%	84%	184%	113%	400%	11%	349%	21%	138%	38%
Online Networks	0.7	10.0	14.4	14.9	9.0	5.4	6.7	11.0	4.4	40.0	32.0	44.0
Yr-to-yr Growth	16.5%	1281%	704%	1254%	1128%	-46%	-54%	-26%	454%	807%	-20%	37%
Total revenue	2.5	12.2	17.0	24.8	14.1	13.9	20.0	22.0	27.8	56.6	70.0	96.4
Less returns and allowances	(0.3)	(0.2)	(0.3)	(0.4)	(0.9)	(0.4)	(0.6)	(0.3)	(0.9)	(1.2)	(2.2)	(1.4)
Net Revenue	**2.2**	**12.0**	**16.8**	**24.4**	**13.2**	**13.5**	**19.4**	**21.7**	**26.9**	**55.4**	**67.8**	**95.0**
Yr-to-yr Growth	-58%	299%	159%	106%	504%	13%	15%	-11%	153%	104%	22%	40%
Cost of revenue without	0.8	6.7	12.2	10.0	7.5	6.5	6.9	8.7	5.9	29.7	29.6	37.8
Gross Margin w/o amortization	1.4	5.5	4.8	14.4	5.8	7.0	12.5	13.0	21.0	25.6	40.4	58.6
Gross Margin %	56.7%	44.9%	28.2%	58.0%	43.6%	51.7%	64.6%	59.9%	75.6%	45.3%	57.8%	66.0%
Amortization of film library	0.9	1.6	1.4	6.9	2.4	6.4	8.0	5.5	6.5	10.7	22.3	13.0
Total cost of revenue	1.6	8.3	13.6	16.9	9.9	12.9	14.8	14.2	12.3	40.4	51.9	50.8
Gross profit	0.6	3.6	3.2	7.6	3.3	0.6	4.5	7.5	14.5	14.9	15.9	44.2
Gross Margin %	22.2%	29.9%	18.6%	30.4%	23.6%	4.2%	22.6%	34.0%	52.3%	26.4%	22.7%	45.9%
Operating expenses:												
SG&A (Ex-stock based comp)	2.6	4.4	6.1	8.1	6.6	6.8	9.0	7.8	9.8	21.2	30.2	33.0
Stock-based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	1.0	1.1	1.2	1.2
Amortization	0.2	0.7	4.7	7.7	5.2	5.2	4.6	2.0	0.3	13.3	17.0	6.0
Management and license fees due to affiliate	0.2	1.2	1.7	2.4	1.3	1.4	1.9	2.2	2.7	5.5	6.8	9.6
Total operating expenses	3.2	6.6	12.7	18.5	13.4	13.6	15.8	12.3	13.7	41.1	55.1	49.8
Operating income:	(2.7)	(3.0)	(9.6)	(10.900)	(10.0)	(13.1)	(11.3)	(4.8)	0.8	(26.1)	(39.2)	(5.6)
Operating margin	-106.4%	-24.4%	-56.1%	-43.9%	-71.1%	-94.0%	-56.6%	-22.0%	2.8%	-46.2%	50%	-6%
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)	(0.7)	(0.7)	(0.4)	(0.8)	(2.0)	(3.0)
Loss on extinguishment of debt	0.0	0.0	(0.4)	-	0.0	0.0	(0.2)	0.0	0.0	(0.4)	-0.2	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
Other	0.0	0.0	-	-	0.0	4.3	0.0	0.0	0.0	0.0	4.4	0.0
Total other income	(0.5)	(2.4)	(1.6)	(0.6)	(0.4)	4.0	(0.8)	(0.7)	(0.7)	(5.1)	2.1	(3.0)
Income before income taxes	(3.2)	(5.4)	(11.2)	(11.5)	(10.5)	(9.1)	(12.1)	(5.5)	0.0	(31.2)	(37.1)	(8.6)
Pretax Margin	-127.2%	-44.0%	-65.6%	-46.1%	-74.1%	-65.2%	-60.5%	-25.2%	0.1%	-55.2%	-53.0%	-8.9%
Income taxes	(0.4)	(0.3)	1.2	0.028	0.0	0.0	0.0	0.0	0.9	0.6	0.1	0.1
Tax rate	14%	5%	-11%	0%	0%	0%	0%	0%	3011%	-2%	0%	-1%
Profit before non-controlling	(2.8)	(5.1)	(12.4)	(11.5)	(10.5)	(9.1)	(12.1)	(5.6)	(0.8)	(31.8)	(37.2)	(8.7)
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)	(12.0)	(5.5)	(0.8)	(31.7)	(37.5)	(8.7)
Yr-over-Yr	213%	264%	-3915%	-1091%	277%	76%	-3%	-52%	-104%	3648%	18%	-77%
Preferred dividend	0.6	0.8	0.9	1.0	1.0	1.0	1.0	1.4	1.1	3.3	4.4	5.6
Net inc to common shareholders	(3.4)	(5.9)	(13.3)	(12.4)	(11.4)	(10.0)	(13.0)	(6.9)	(2.0)	(35.0)	(41.9)	(14.3)
Stk based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	1.0	1.1	1.2	1.2
One-time expenses	0.4	3.5	1.1	0.6	2.2	(2.1)	(0.2)	0.0	1.3	8.1	(0.0)	-
Non-GAAP Income	(2.8)	(2.2)	(11.9)	(11.5)	(9.0)	(11.9)	(12.9)	(6.5)	0.3	(25.8)	(40.7)	(13.1)
Yr-over-Yr	309%	87%	32031%	-633%	225%	444%	8%	-43%	-88%	-10332%	58%	-68%
Net income per share:												
Primary EPS	**(0.28)**	**(0.49)**	**(1.11)**	**(1.02)**	**(0.95)**	**(0.83)**	**(1.04)**	**(0.54)**	**(0.16)**	**(2.92)**	**(3.47)**	**(1.14)**
Non-GAAP EPS	(0.23)	(0.18)	(1.00)	(0.95)	(0.75)	(0.99)	(1.02)	(0.52)	0.02	(2.05)	(3.22)	(0.99)
Shares												
Basic	12.0	12.0	12.0	12.1	12.0	12.0	12.6	12.7	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%	4%
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%	4%
GAAP Adjusted EBITDA	**(0.940)**	**1.277**	**(0.372)**	**5.816**	**2.0**	**2.7**	**4.2**	**3.9**	**10.0**	**6.0**	**12.4**	**18.3**
EBITDA Margin	-37.2%	10.5%	-2.2%	23.4%	14.4%	19.4%	21.1%	17.9%	36.1%	11%	18%	19%

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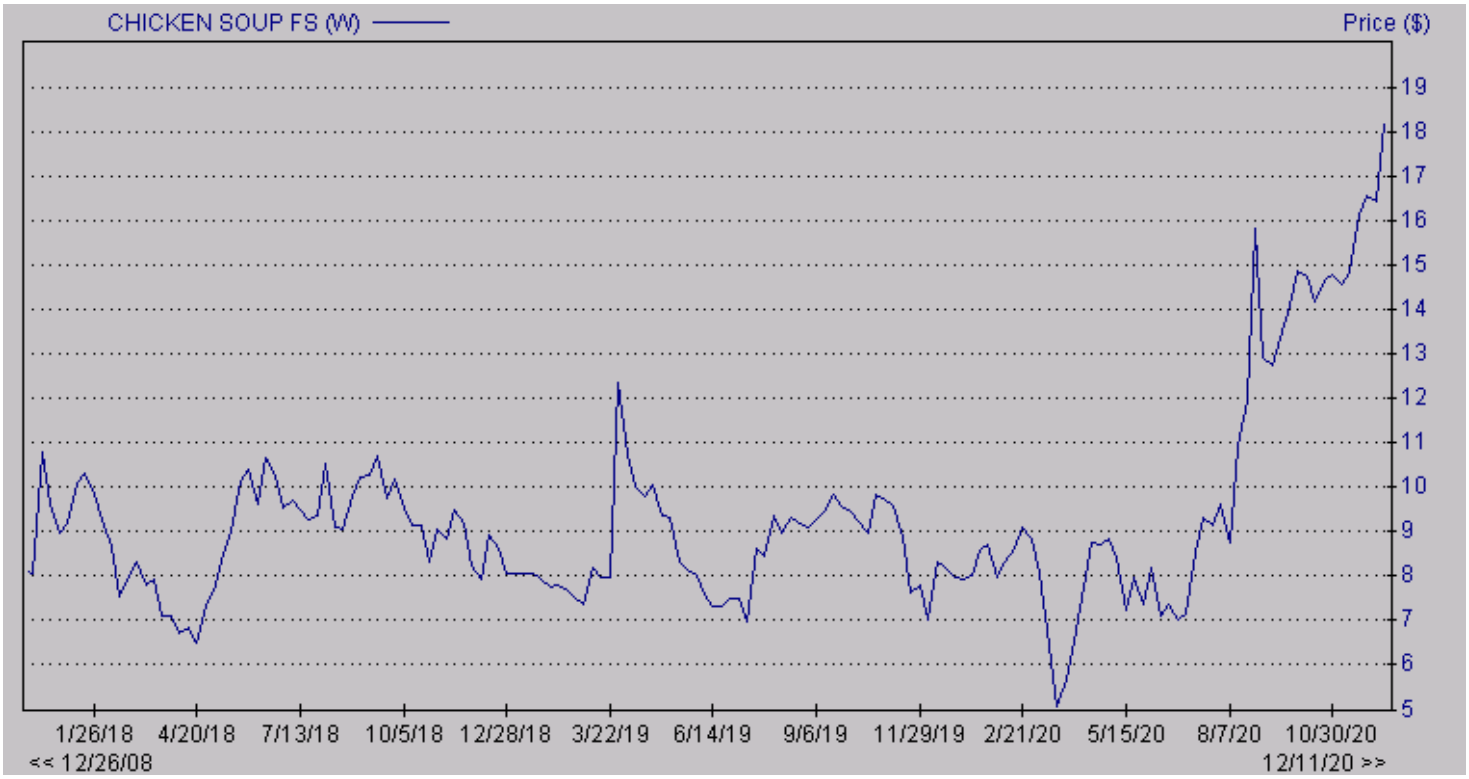
BALANCE SHEET

	Sept 30, 2020	June 30, 2020	Qtr-Qtr % Change	Sept 30, 2019	Yr-Yr % Change
Assets					
Cash and cash equivalents	**$9,243,315**	$4,655,317	98.6%	**$6,194,964**	49.2%
Accounts receivable, net	24,772,024	22,573,432	9.7%	27,731,931	-10.7%
Prepaid expenses	2,985,503	1,485,557	101.0%	1,117,969	167.0%
Inventory, net	0	0	0.0%	291,917	-100.0%
Goodwill	21,448,106	21,448,106	0.0%	17,466,681	22.8%
Indefinate lived intangible assets	12,163,943	12,163,943	0.0%	12,163,943	0.0%
Intangible assets, net	20,575,942	25,093,057	-18.0%	47,081,028	-56.3%
Intangible asset - video content license	0	0	0.0%	5,000,000	-100.0%
Film library, net	36,878,196	41,105,470	-10.3%	31,997,384	15.3%
Due from affiliated companies	6,081,324	4,996,754	21.7%	7,010,065	-13.2%
Programming costs, net	20,702,405	16,418,308	26.1%	13,961,506	48.3%
Programming rights	0	0	0.0%	826,567	-100.0%
Other assets, net	4,794,239	5,303,550	-9.6%	316,878	1413.0%
Total assets	159,644,997	155,243,494	2.8%	171,160,833	-6.7%
Liabilities					
Current maturities of commercial loan	**0**	**3,200,000**	-100.0%	**3,200,000**	-100.0%
Commercial loan & revolving LOC, net	**21,040,599**	**10,230,781**	105.7%	**12,611,197**	66.8%
Note payable under revolving credit facility	**2,500,000**	**5,000,000**	-50.0%	**0**	NM
Film acquisition advance	10,210,000	**0**		**0**	NM
Accounts payable and accrued expenses	25,923,748	30,041,385	-13.7%	19,792,234	31.0%
Ad representation fees payable	3,021,520	8,511,033	-64.5%	8,421,104	-64.1%
Film library acquisition obligations	10,609,186	8,335,600	27.3%	5,735,100	85.0%
Programming obligations	6,416,012	6,416,012	0.0%	6,005,154	6.8%
Accrued participation costs	12,894,099	12,064,073	6.9%	1,308,575	885.4%
Other liabilities	1,777,548	1,484,050	19.8%	5,142,105	-65.4%
Total liabilities	94,392,712	85,282,934	10.7%	62,215,469	51.7%
Stockholder's equity					
Preferred stock	173	160	8.1%	160	8.1%
Class A Common stock	492	426	15.5%	425	15.8%
Class B Common stock	782	782	0.0%	782	0.0%
Additional paid-in capital	96,498,618	88,084,137	9.6%	88,077,143	9.6%
Retained earnings	(67,182,836)	(54,133,136)	24.1%	(20,335,402)	230.4%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	(632,729)	0.0%
Total stockholders' equity	28,684,500	33,319,640	-13.9%	103,460,379	-72.3%
Subsidiary convertible preferred stock	36,350,000	36,350,000	0.0%	0	NM
Noncontrolling interests	217,785	290,920	-25.1%	484,985	-55.1%
Total equity	65,252,285	69,960,560	-6.7%	103,945,364	-37.2%
Total liabilities and stockholders' equity	159,644,997	155,243,494	2.8%	165,675,848	-3.6%
Cash and cash equivalents	9,243,315	4,655,317	98.6%	6,194,964	49.2%
Cash as % of assets	6%	3%	93.1%	4%	60.0%
Cash per share	$0.73	$0.39	88.5%	$0.52	41.5%
Debt	$21,040,599	$18,430,781	14.2%	$15,811,197	33.1%
Debt % of assets	13%	7%	100.0%	9%	42.7%

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	3 Mo Ended Jun 30, 2020	3 Mo Ended Sep 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)	(12,105,144)
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	346,773
Amortization of programming costs	2,752,446	61,798	208,173	181,079	259,639	710,689	110,629	54,764	51,093
Amortization of deferred financing costs	57,161	25,823	25,824	20,416	10,337	82,400	10,152	10,154	45,599
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	4,960,074
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	7,981,212
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	1,538,449
Relaized & unrealized losses on mkt securities	-	-	-	-	-	-	-	100,607	83,208
Other non-operating income	-	-	-	-	-	-	-	(5,404,482)	(126,168)
Loss on debt extinguishment	-	-	-	350,691	-	350,691	-	-	169,219
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	(3,737,041)
Prepaid expenses and other current assets	38,546	(135,279)	(1,101,092)	333,010	245,583	(657,778)	(21,984)	(1,070,937)	(1,598,878)
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)	(4,335,190)
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)	(3,753,938)
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	(7,280,982)
Film library acquisition obligations	2,052,200	273,250	2,564,250	182,000	(714,500)	2,305,000	1,888,500	541,651	3,663,586
Accrued participation costs	(1,081,278)	(32,015)	(392,967)	194,418	3,757,937	3,527,373	794,876	6,202,685	830,026
Other liabilities	269,974	(350,400)	83,001	(5,002)	28,001	(244,400)	59,740	1,254,204	293,498
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)	(12,974,604)
Cash flows from Investing activities:									
Expenditures for property and equipment	-	-	-	-	-	-	(340,586)	(46,800)	(2,423,839)
Sale of marketable securities									305,915
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	(1,084,570)
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	(3,202,494)
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)	(13,600,000)
Proceeds from revolving credit facility	-	-	-	-	5,000,000	5,000,000	-	-	(2,500,000)
Proceeds from 9.5% notes due 2025, net	-	-	-	-	-	-	-	-	20,995,000
Proceeds from film acquisition advance							-	-	8,820,000
Payment of stock issuance cost	(1,956,393)	(288,160)	(538,295)	(663,251)	-	(1,489,706)	-	-	-
Proceds from issuance of Class A common									5,000,000
Proceeds from issue of common under equity plans			160,161	-	-	160,161	-	-	75,000
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	-	-	2,992,787
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)	(1,017,691)
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)	20,765,096
Net change - cash	5,028,773	(3,408,648)	1,411,903	989,951	1,052,438	(754,356)	673,937	(2,466,022)	4,587,998
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	4,655,317
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	9,243,315
Supplemental information:									
Interest paid	267,064	117,453	120,739	256,142	228,680	605,561	217,222	226,359	751,566
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)	2,944,315
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)	520,476

HISTORICAL STOCK PRICE



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