



Chicken Soup for the Soul Entertainment Reports Q2 2021 Results

August 11, 2021

64% Q2 Net Revenue Growth Year-Over-Year to \$22.1 Million

Robust Viewership Growth Driven by Distribution Touchpoint Expansion

Strategic Progress on Key International Expansion Initiatives

COS COB, Conn., Aug. 11, 2021 (GLOBE NEWSWIRE) -- Chicken Soup for the Soul Entertainment, Inc. (Nasdaq: CSSE), one of the largest operators of streaming advertising-supported video-on-demand (AVOD) networks, today announced its financial results for the second quarter ended June 30, 2021.

"We saw continued momentum in the second quarter. We generated solid year-over-year revenue and Adjusted EBITDA growth as we continue to deliver great original content and increase distribution touchpoints that are driving viewership gains as we expand distribution of our networks. This in turn is eliciting a strong response from advertisers, as demonstrated at the recent Upfronts," said William J. Rouhana Jr., chairman and chief executive officer of Chicken Soup for the Soul Entertainment. "The second half of 2021 will be busy as we begin to capitalize on the recently completed Sonar asset acquisition; continue expanding our distribution and production activities; launch our new Chicken Soup for the Soul streaming service and roll out our new tech platforms and viewer interfaces; and accelerate our international strategy. We continue to anticipate a strong performance in 2021 as we build further on our foundation to drive long-term growth and shareholder value."

Second Quarter 2021 Financial Summary

- Net revenue of \$22.1 million, compared to \$23.2 million in the first quarter of 2021, and \$13.5 million in the year-ago period. The 64% year-over-year growth was driven by an increase in ad sales and licensing.
- Net loss of \$11.1 million compared to a net loss of \$9.2 million in the first quarter of 2021, and a net loss of \$10.0 million in the year-ago period; \$8.8 million net loss before preferred dividends, compared to \$6.9 million net loss in the first quarter 2021, and \$9.0 million net loss in the year-ago period.
- Adjusted EBITDA of \$3.2 million, compared to \$4.6 million in the first quarter 2021, and \$2.7 million in the year-ago period. The 19% year-over-year growth was enhanced by an increase in ad sales, licensing, and *Going From Broke's* performance.

Recent Business Highlights

- Upfront orders projected to increase more than 130% over last year, with significant commitments from new advertisers and larger commitments from existing advertisers.
- Closed acquisition of Sonar Entertainment assets and began integration of Sonar's content into existing library and network programming strategy.
- Put key pieces in place for international expansion, including a new streaming partnership with Israel-based broadcaster Keshet Media and the acquisition of international trademarks for Crackle Plus.
- Continued to expand streaming network distribution touchpoints, helping drive meaningful viewership increases, and remain on plan to reach over 100 touchpoints by year-end. Signed agreement with Millennium Media for Screen Media to exclusively distribute 15 movies over the next three years.
- Completed work on new Crackle technology platform which will imminently launch on Vizio Smartcast televisions, and launched the new Popcornflix app on the Web, iOS, and Android with plans to roll out each of these platforms across remaining distribution touchpoints in 2021.

Gross profit for the quarter ended June 30, 2021, was \$6.7 million, or 30% of net revenue, compared to \$7.0 million in the first quarter of 2021, or 30% of net revenue, and compared to \$0.6 million, or 4% of net revenue for the year-ago period.

Operating loss for the quarter ended June 30, 2021, was \$7.8 million compared to an operating loss of \$5.8 million in the first quarter 2021, and \$13.1 million in the year-ago period.

Net loss was \$11.1 million, or \$0.79 per share, compared to a net loss of \$9.2 million, or \$0.67 per share, in the first quarter 2021, and a net loss of \$10.0 million, or \$0.83 per share in the prior-year period. Excluding preferred dividends, the net loss in the second quarter of 2021 would have been

\$8.8 million, or \$0.63 per share, compared to net loss of \$9.0 million, or \$0.75 per share last year.

Adjusted EBITDA for the quarter ended June 30, 2021, was \$3.2 million, compared to \$4.6 million in the first quarter 2021, and \$2.7 million in the same period last year.

As of June 30, 2021, the company had \$18.4 million of cash and cash equivalents compared to \$14.7 million as of December 31, 2020, and outstanding debt net of deferred financing costs of \$48.9 million as of June 30, 2021, compared to \$33.6 million as of December 31, 2020. The company completed a common stock offering in July 2021 that raised gross proceeds of \$75 million.

For a discussion of the financial measures presented herein which are not calculated or presented in accordance with U.S. generally accepted accounting principles ("GAAP"), see "Note Regarding Use of Non-GAAP Financial Measures" below and the schedules to this press release for additional information and reconciliations of non-GAAP financial measures.

The company presents non-GAAP measures such as Adjusted EBITDA to assist in an analysis of its business. These non-GAAP measures should not be considered an alternative to GAAP measures as an indicator of the company's operating performance.

Conference Call Information

- Date, Time: Wednesday, August 11, 2021, 4:30 p.m. ET.
- Toll-free: (833) 832-5128
- International: (484) 747-6583
- Conference ID: 9436326
- A live webcast and replay will be available at <https://ir.cssentertainment.com/> under the "News & Events" tab

Conference Call Replay Information

- Toll-free: (855) 859-2056
- International: (404) 537-3406
- Reference ID: 9436326

ABOUT CHICKEN SOUP FOR THE SOUL ENTERTAINMENT

Chicken Soup for the Soul Entertainment, Inc. (Nasdaq: CSSE) (the "Company") operates streaming video-on-demand networks (VOD). The Company owns Crackle Plus, which owns and operates a variety of ad-supported and subscription-based VOD networks including Crackle, Popcornflix, Popcornflix Kids, Truli, Pivotshare, Españolflix and FrightPix. The Company also acquires and distributes video content through its Screen Media subsidiary and produces original long and short-form content through Landmark Studio Group, Chicken Soup for the Soul Unscripted, APlus.com and Halcyon Television. Chicken Soup for the Soul Entertainment is a subsidiary of Chicken Soup for the Soul, LLC, which publishes the famous book series and produces super-premium pet food under the Chicken Soup for the Soul brand name.

Note Regarding Use of Non-GAAP Financial Measures

The company's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). It uses a non-GAAP financial measure to evaluate its results of operations and as a supplemental indicator of operating performance. The non-GAAP financial measure that is used is Adjusted EBITDA. Adjusted EBITDA (as defined below) is considered a non-GAAP financial measure as defined by Regulation G promulgated by the SEC under the Securities Act of 1933, as amended. Management believes this non-GAAP financial measure enhances the understanding of the company's historical and current financial results and enables the board of directors and management to analyze and evaluate financial and strategic planning decisions that will directly affect operating decisions and investments. The presentation of Adjusted EBITDA should not be construed as an inference that future results will be unaffected by unusual or non-recurring items or by non-cash items. This non-GAAP financial measure should be considered in addition to, rather than as a substitute for, the company's actual operating results included in its condensed consolidated financial statements.

"Adjusted EBITDA" means earnings before interest, taxes, depreciation, amortization and non-cash share-based compensation expense, and also includes the gain on bargain purchase of subsidiary and adjustments for other identified charges such as costs incurred to form the company and to prepare for the offering of its Class A common stock to the public, prior to its IPO. Identified charges also include the cost of maintaining a board of directors prior to being a publicly traded company. As the IPO has been completed, director fees will be deducted from Adjusted EBITDA going forward. Adjusted EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other companies. Management believes Adjusted EBITDA to be a meaningful indicator of the company's performance that provides useful information to investors regarding its financial condition and results of operations. The most comparable GAAP measure is operating income.

A reconciliation of net loss to Adjusted EBITDA is provided in the company's Annual Report on Form 10-K for the year ended December 31, 2020, under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Unaudited Historical Results to Adjusted EBITDA."

FORWARD-LOOKING STATEMENTS

This press release includes forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are statements that are not historical facts. These statements are based on various assumptions, whether or not identified in this press release, and on the current expectations of management and are not predictions of actual performance. Such assumptions involve a number of known and unknown risks and uncertainties, including but not limited to our core strategy, operating income and margin, seasonality, liquidity, including cash flows from operations, available funds, and access to financing sources, free cash flows, revenues, net income, profitability, stock price volatility, future regulatory changes, price changes, the ability of the Company's content offerings to achieve market acceptance, the Company's success in retaining or recruiting officers, key employees, or directors, the ability to protect intellectual property, the ability to complete strategic acquisitions, the ability to manage growth and integrate acquired operations, the ability to pay dividends, regulatory or operational risks, and general market conditions impacting demand for the Company's services. For a more complete description of these and other risks and uncertainties, please refer the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 31, 2021, and for further information regarding our recent acquisition of the

Sonar library and related assets, please see our Current Reports on Form 8-K, as amended, filed with the SEC on May 27, 2021, and July 1, 2021. If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. These forward-looking statements speak only as of the date hereof and the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

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Chicken Soup for the Soul Entertainment, Inc. Condensed Consolidated Balance Sheets

	June 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 18,404,254	\$ 14,732,726
Accounts receivable, net	44,866,479	25,996,947
Prepaid expenses and other current assets	2,008,231	1,382,502
Goodwill	41,269,946	21,448,106
Indefinite lived intangible assets	12,163,943	12,163,943
Intangible assets, net	20,459,587	19,370,490
Film library, net	72,403,995	35,239,135
Due from affiliated companies	705,499	5,648,652
Programming costs and rights, net	16,916,653	15,781,183
Other assets, net	5,019,737	4,517,102
Total assets	\$ 234,218,324	\$ 156,280,786
LIABILITIES AND EQUITY		
9.50% Notes due 2025, net of deferred issuance costs of \$1,600,656 and \$1,798,433, respectively	\$ 31,295,244	\$ 31,097,467
Notes payable under revolving credit facility	—	2,500,000
Revolving loan	17,585,699	—
Film acquisition advance	6,130,245	8,659,136
Accounts payable and accrued other expenses	45,500,596	21,394,957
Film library acquisition obligations	20,776,600	8,616,562
Programming obligations	1,849,375	4,697,316
Accrued participation costs	24,740,388	12,535,651
Put option obligation	11,400,000	—
Other liabilities	2,345,494	1,677,906
Total liabilities	161,623,641	91,178,995
Equity		
Stockholders' Equity:		
Series A cumulative redeemable perpetual preferred stock, \$.0001 par value, liquidation preference of \$25.00 per share, 10,000,000 shares authorized; 1,599,002 shares issued and outstanding, redemption value of \$39,975,050	370	210
Class A common stock, \$.0001 par value, 70,000,000 shares authorized; 4,267,725 and 4,259,920 shares issued, 4,193,490 and 4,185,685 shares outstanding, respectively	678	516
Class B common stock, \$.0001 par value, 20,000,000 shares authorized; 7,813,938 shares issued and outstanding	766	766
Additional paid-in capital	170,440,677	106,425,548
Deficit	(97,315,079)	(77,247,982)
Class A common stock held in treasury, at cost (74,235 shares)	(632,729)	(632,729)
Total stockholders' equity	72,494,683	28,546,329
Subsidiary convertible preferred stock	—	36,350,000

Noncontrolling interests	100,000	205,462
Total equity	72,594,683	65,101,791
Total liabilities and equity	\$ 234,218,324	\$ 156,280,786

Chicken Soup for the Soul Entertainment, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue	\$ 22,134,934	\$ 13,520,540	\$ 45,331,776	\$ 26,764,613
Cost of revenue	15,433,719	12,933,545	31,676,653	22,843,935
Gross profit	6,701,215	586,995	13,655,123	3,920,678
Operating expenses:				
Selling, general and administrative	10,964,362	7,052,776	20,199,181	13,892,673
Amortization and depreciation	1,337,678	5,241,415	2,575,705	10,446,143
Management and license fees	2,213,493	1,352,054	4,533,177	2,676,461
Total operating expenses	14,515,533	13,646,245	27,308,063	27,015,277
Operating loss	(7,814,318)	(13,059,250)	(13,652,940)	(23,094,599)
Interest expense	1,141,044	333,903	2,228,988	663,028
Acquisition-related costs	—	—	—	98,926
Other non-operating income, net	(144,569)	(4,331,409)	(145,139)	(4,337,847)
Loss before income taxes and preferred dividends	(8,810,793)	(9,061,744)	(15,736,789)	(19,518,706)
Provision for income taxes	15,000	18,000	29,000	67,000
Net loss before noncontrolling interests and preferred dividends	(8,825,793)	(9,079,744)	(15,765,789)	(19,585,706)
Net loss attributable to noncontrolling interests	—	(43,889)	—	(96,743)
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(8,825,793)	(9,035,855)	(15,765,789)	(19,488,963)
Less: preferred dividends	2,253,385	974,272	4,506,770	1,948,544
Net loss available to common stockholders	\$ (11,079,178)	\$ (10,010,127)	\$ (20,272,559)	\$ (21,437,507)
Net loss per common share:				
Basic and diluted	\$ (0.79)	\$ (0.83)	\$ (1.46)	\$ (1.79)

Chicken Soup for the Soul Entertainment, Inc.
Adjusted EBITDA

	Three Months Ended June 30,	
	2021	2020
Net loss available to common stockholders	\$ (11,079,178)	\$ (10,010,127)
Preferred dividends	2,253,385	974,272
Provision for income taxes	15,000	18,000
Other taxes	103,854	51,240
Interest expense	1,141,044	333,903
Film library and program rights amortization	6,841,349	6,407,283
Share-based compensation expense	231,844	229,273
Acquisition-related costs	—	—
Reserve for bad debt and video returns	907,837	812,741
Amortization and depreciation	1,721,011	5,496,972
Other non-operating income, net	(144,569)	(4,331,409)
Transitional expenses	192,054	2,239,876
All other nonrecurring costs	967,848	469,392
Adjusted EBITDA	\$ 3,151,479	\$ 2,691,416

	Six Months Ended June 30,	
	2021	2020

Net loss available to common stockholders	\$	(20,272,559)	\$	(21,437,507)
Preferred dividends		4,506,770		1,948,544
Provision for income taxes		29,000		67,000
Other Taxes		188,347		104,651
Interest expense		2,228,988		663,028
Film library and program rights amortization		13,770,016		8,902,115
Share-based compensation expense		463,688		474,108
Acquisition-related costs		—		98,926
Reserve for bad debt & video returns		1,602,049		2,534,336
Amortization and depreciation		3,342,371		10,701,700
Other non-operating income, net		(145,139)		(4,337,847)
Transitional expenses		192,054		4,353,345
All other nonrecurring costs		1,807,898		656,340
Adjusted EBITDA	\$	<u>7,713,483</u>	\$	<u>4,728,739</u>



Source: Chicken Soup for the Soul Entertainment, Inc.