



Chicken Soup for the Soul Entertainment Reports Q4 and Full Year 2021 Results

March 31, 2022

Growing slate of new library content and expanded distribution drives record performance

COS COB, Conn., March 31, 2022 (GLOBE NEWSWIRE) -- Chicken Soup for the Soul Entertainment, Inc. (Nasdaq: CSSE) (the "Company"), one of the largest operators of streaming advertising-supported video-on-demand (AVOD) networks, today announced its financial results for the fourth quarter and full year ended December 31, 2021.

"We delivered another record quarter to cap off an incredibly successful year in which we put the key pieces in place to scale our AVOD platform," said William J. Rouhana Jr., chairman and chief executive officer of Chicken Soup for the Soul Entertainment. "Over the past year we have more than doubled our content library, greatly expanded our AVOD and FAST distribution, and launched our new Chicken Soup for the Soul streaming service and our new technology platform. We also strengthened our balance sheet to support our growth ambitions and implemented an active share buyback program to augment shareholder value creation. We see tremendous opportunity ahead as we scale the industry's best AVOD."

Fourth Quarter 2021 Financial Summary

- Net revenue of \$36.0 million, compared with \$29.1 million in the third quarter of 2021, and \$20.2 million in the year-ago period, an increase of 78% year-over-year.
- Net loss of \$22.4 million, compared with a net loss of \$16.7 million in the third quarter of 2021, and a net loss of \$10.1 million in the year-ago period; \$20.2 million net loss before preferred dividends, compared to a \$14.5 million net loss in the third quarter 2021 and an \$8.9 million net loss in the year-ago period.
- Record adjusted EBITDA of \$9.3 million, compared with \$4.9 million in the third quarter 2021 and \$2.8 million in the year-ago period, an increase of more than 3x year-over-year.

Full Year 2021 Financial Summary

- Net revenue of \$110.4 million, compared with \$66.4 million in 2020, an increase of 66% year-over-year.
- Net loss of \$59.4 million, compared with \$44.6 million in 2020; \$50.4 million net loss before preferred dividends, compared to a \$40.4 million net loss in the full year 2020.
- Adjusted EBITDA of \$21.8 million, compared with \$11.8 million in 2020, an increase of 86% year-over-year.

2021 Business Highlights

- Acquired the Sonar film and television assets, adding more than one thousand titles across an extensive library and four thousand hours of high-quality programming while expanding our international opportunities.
- Increased viewership through accelerated rollout of our distribution touchpoint strategy, making Crackle Plus streaming services available at over 70 distribution touchpoints and driving an average of more than 40 million monthly active users by year end.
- Launched the Chicken Soup for the Soul AVOD, adding another streaming service to our portfolio and continuing to diversify our viewer demographic.
- Consolidated TV studio activities under the newly formed Chicken Soup for the Soul Television Group to capitalize on global brand appeal.
- Announced our first two international partnerships with Keshet in Israel and Locomotive Global in India.
- Launched an enhanced technology platform, which has been driving viewer and advertiser engagement as well as advertiser productivity.
- Expanded original and exclusive content, which generated 24% of total ad impressions for the fourth quarter and 28% in December 2021, outperforming our target of 20% by year end.
- Strengthened the balance sheet while increasing our share repurchase authorization to a total of \$30 million.

Recent Business Highlights

- Acquired the assets of 1091 Media LLC doubling the content library and adding AVOD and FAST channels that generate

approximately 1 billion yearly ad impressions.

- Entered a three-year exclusive license with BBC for the AVOD and FAST distribution of the smash hit series *Sherlock* and over 2,500 hours of additional content.
- Entered into a multi-year agreement with APX Content Ventures and Publicis Media for the *Inside the Black Box* series, creating a partnership with a large advertiser and helping enhance ad delivery.
- Gained rights to exclusively stream the original *Spider-Man* trilogy for free on Crackle driving increased viewership in February.
- Accelerated rollout of our distribution touchpoint strategy that will expand Crackle Plus streaming services availability to over 90 touchpoints.

Gross profit for the year ended December 31, 2021, was \$31.3 million, or 28% of net revenue, compared with \$14.2 million, or 21% of net revenue in 2020.

Operating loss for the year ended December 31, 2021, was \$46.0 million, compared with an operating loss of \$44.3 million in 2020.

Net loss for the year ended December 31, 2021, was \$59.4 million, or \$3.96 per share, compared with a net loss of \$44.6 million, or \$3.62 per share, in the prior year. Excluding preferred dividends, the net loss in 2021 was \$50.4 million, or \$3.36 per share, compared with net loss of \$40.4 million, or \$3.29 per share in the prior year. On an adjusted basis excluding \$0.80 of charges related to content, intangible assets and goodwill impairments as well as \$0.37 of amortization related to acquired intangible assets, 2021 net loss per share totaled \$2.80.

Adjusted EBITDA for the year ended December 31, 2021, was \$21.8 million, compared with \$11.8 million in 2020.

As of December 31, 2021, the company had \$44.3 million of cash and cash equivalents compared with \$14.7 million as of December 31, 2020, and outstanding debt of \$56.7 million as of December 31, 2021, compared with \$44.1 million as of December 31, 2020.

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: Thursday, March 31, 2022, 4:30 p.m. ET.
- Toll-free: (833) 832-5128
- International: (484) 747-6583
- Conference ID: 8657723
- 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: 8657723

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, Chicken Soup for the Soul, Popcornflix, Popcornflix Kids, Truli, Pivotshare, Españolflix and FrightPix. The Company also acquires and distributes video content through its Screen Media and 1091 Pictures subsidiaries and produces original video content through the Chicken Soup for the Soul Television Group. 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

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). We use a non-GAAP financial measure to evaluate our results of operations and as a supplemental indicator of our operating performance. The non-GAAP financial measure that we use 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. Due to the significance of non-cash and non-recurring expenses recognized during the three and years ended December 31, 2021 and 2020, and the likelihood of material non-cash, non-recurring, and acquisition related expenses to occur in future periods, we believe that this non-GAAP financial measure enhances the understanding of our historical and current financial results as well as provides investors with measures used by management for the planning and forecasting of future periods, as well as for measuring performance for compensation of executives and other members of management. Further, we believe that Adjusted EBITDA enables our board of directors and management to analyze and evaluate financial and strategic planning decisions that will directly affect operating decisions and investments. We believe this measure is an important indicator of our operational strength and performance of our business because it provides a link between operational performance and operating income. It is also a primary measure used by management in evaluating companies as potential acquisition targets. We believe the presentation of this measure is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. We believe it helps improve investors' ability to understand our operating performance and makes it easier to compare our results with other companies that have different capital structures or tax

rates. In addition, we believe this measure is also among the primary measures used externally by our investors, analysts and peers in our industry for purposes of valuation and comparing our operating performance to other companies in our industry.

The presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual, infrequent 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, our actual operating results included in our condensed consolidated financial statements.

We define Adjusted EBITDA as consolidated operating income (loss) adjusted to exclude interest, taxes, depreciation, amortization (including tangible and intangible assets), acquisition-related costs, consulting fees related to acquisitions, dividend payments, non-cash share-based compensation expense, and adjustments for other unusual and infrequent in nature identified charges, including transition related expenses. Adjusted EBITDA is not an earnings measure recognized by U.S. 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. We believe Adjusted EBITDA to be a meaningful indicator of our performance that management uses and believes provides useful information to investors regarding our financial condition and results of operations. The most comparable GAAP measure is operating income (loss).

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, 2021, 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, 2021, to be filed with the SEC on March 31, 2022. 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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Tables Follow

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

	December 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	\$ 44,286,105	\$ 14,732,726
Accounts receivable, net of allowance for doubtful accounts of \$786,830, and \$1,035,643, respectively	60,213,807	25,996,947
Prepaid expenses and other current assets	1,904,273	1,382,502
Due from affiliated companies	—	5,648,652
Content assets, net	63,645,396	51,020,318
Intangible assets, net	18,035,091	19,370,490
Indefinite lived intangible assets	12,163,943	12,163,943
Goodwill	39,986,530	21,448,106
Other assets, net	5,190,954	4,517,102
Total assets	<u>\$ 245,426,099</u>	<u>\$ 156,280,786</u>
LIABILITIES AND EQUITY		
Accounts payable and accrued other expenses	\$ 34,984,226	\$ 21,394,957
Due to affiliated companies	489,959	—

Programming obligations	1,641,250	4,697,316
Film library acquisition obligations	24,673,866	8,616,562
Accrued participation costs	12,323,329	12,535,651
Notes payable under revolving credit facility	—	2,500,000
Film acquisition advance	6,196,909	8,659,136
Revolving loan	17,585,699	—
9.50% Notes due 2025, net of deferred issuance costs of \$1,402,880 and \$1,798,433, respectively	31,493,020	31,097,467
Contingent consideration	9,764,256	—
Put option obligation	11,400,000	—
Other liabilities	3,274,432	1,677,906
Total liabilities	<u>153,826,946</u>	<u>91,178,995</u>

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; 3,698,318 and 2,098,318 shares issued and outstanding, respectively; redemption value of \$92,457,950 and \$52,457,950, respectively	370	210
Class A common stock, \$.0001 par value, 70,000,000 shares authorized; 8,964,330 and 5,157,053 shares issued, 8,019,828 and 5,082,818 shares outstanding, respectively	899	516
Class B common stock, \$.0001 par value, 20,000,000 shares authorized; 7,654,506 shares issued and outstanding, respectively	766	766
Additional paid-in capital	240,609,345	106,425,548
Deficit	(136,462,244)	(77,247,982)
Accumulated other comprehensive gain	571	—
Class A common stock held in treasury, at cost (944,502 and 74,235 shares, respectively)	(13,202,407)	(632,729)
Total stockholders' equity	90,947,300	28,546,329
Subsidiary convertible preferred stock	—	36,350,000
Noncontrolling interests	651,853	205,462
Total equity	91,599,153	65,101,791
Total liabilities and equity	<u>\$ 245,426,099</u>	<u>\$ 156,280,786</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net revenue	\$ 35,966,835	\$ 20,230,592	\$ 110,395,466	\$ 66,356,956
Cost of revenue	24,605,857	14,455,033	79,138,884	52,139,819
Gross profit	11,360,978	5,775,559	31,256,582	14,217,137
Operating expenses:				
Selling, general and administrative	13,373,621	8,379,145	48,611,101	31,573,368
Amortization and depreciation	1,613,696	1,268,442	5,728,051	16,291,327
Impairment of content assets	9,794,854	3,973,878	9,794,854	3,973,878
Impairment of intangible assets and goodwill	2,044,647	—	2,044,647	—
Management and license fees	3,596,684	2,023,060	11,039,547	6,635,696
Total operating expenses	30,423,502	15,644,525	77,218,200	58,474,269
Operating loss	(19,062,524)	(9,868,966)	(45,961,618)	(44,257,132)
Interest expense	1,297,235	899,275	4,831,175	2,222,106
Loss on extinguishment of debt	—	—	—	169,219
Other non-operating income, net	(132,114)	(1,872,913)	(379,151)	(6,155,279)
Loss before income taxes and preferred dividends	(20,227,645)	(8,895,328)	(50,413,642)	(40,493,178)
Provision for income taxes	7,000	6,000	66,000	99,000
Net loss before noncontrolling interests and preferred dividends	(20,234,645)	(8,901,328)	(50,479,642)	(40,592,178)
Net loss attributable to noncontrolling interests	(82,543)	(12,323)	(73,458)	(182,201)
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(20,152,102)	(8,889,005)	(50,406,184)	(40,409,977)
Less: preferred dividends	2,253,385	1,176,141	9,013,540	4,142,376
Net loss available to common stockholders	<u>\$ (22,405,487)</u>	<u>\$ (10,065,146)</u>	<u>\$ (59,419,724)</u>	<u>\$ (44,552,353)</u>

Net loss per common share:

Basic and diluted	\$	(1.38)	\$	(0.79)	\$	(3.96)	\$	(3.62)
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Weighted-average common shares outstanding:

Basic and diluted	16,192,422	12,673,106	15,018,421	12,301,185
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**Chicken Soup for the Soul Entertainment, Inc.
Adjusted EBITDA**

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net loss available to common stockholders	\$ (22,405,487)	\$ (10,065,146)	\$ (59,419,724)	\$ (44,552,353)
Preferred dividends	2,253,385	1,176,141	9,013,540	4,142,376
Provision for income taxes	7,000	6,000	66,000	99,000
Other taxes	58,094	110,483	308,720	312,600
Interest expense	1,297,235	899,275	4,831,175	2,222,106
Film library and program rights amortization	11,748,690	6,641,019	35,630,591	23,563,772
Share-based compensation expense	1,309,888	310,634	5,247,807	1,131,515
Expense for bad debt and video returns	366,321	(688,201)	2,522,629	3,384,584
Amortization and depreciation	2,143,802	1,655,473	7,408,155	17,317,247
Other non-operating income, net	(132,114)	(1,872,913)	(379,151)	(6,155,279)
Loss on extinguishment of debt	—	—	—	169,219
Impairment of intangible asset and goodwill	2,044,647	—	2,044,647	—
Impairment of content assets	9,794,854	3,973,878	9,794,854	3,973,878
Transitional expenses	155,115	—	560,982	4,353,345
All other nonrecurring costs	611,137	660,907	4,194,267	1,789,569
Adjusted EBITDA	\$ 9,252,567	\$ 2,807,550	\$ 21,824,492	\$ 11,751,579

**Chicken Soup for the Soul Entertainment, Inc.
Adjusted Earnings Per Share**

	Year Ended December 31,	
	2021	2020
Basic and diluted loss per share	\$ (3.96)	\$ (3.62)
Amortization related to acquired intangible assets	0.37	1.31
Impairment of content assets	0.65	0.32
Impairment of intangible assets and goodwill	0.14	—
Adjusted basic and diluted loss per share	\$ (2.80)	\$ (1.99)



Source: Chicken Soup for the Soul Entertainment, Inc.