



Chicken Soup for the Soul Entertainment Reports Q1 2022 Results

May 11, 2022

Strong growth driven by increased distribution, expanded offerings of original, exclusive offerings and overall library of content, new technology platforms

Announced transaction to acquire Redbox Entertainment Inc., creating leading independent, integrated direct-to-consumer media platform delivering premium entertainment for value conscious consumers

Management to host a conference call and live webcast on May 11, 2022, at 8:30am ET

COS COB, Conn., May 11, 2022 (GLOBE NEWSWIRE) -- Chicken Soup for the Soul Entertainment, Inc. (Nasdaq: CSSE), one of the largest operators of advertising-supported video-on-demand (AVOD) streaming services, today announced its financial results for the first quarter ended March 31, 2022.

"We are off to a great start to the year, with strong financial results and continued momentum in viewership growth driven by delivery of compelling original content across our streaming services," said William J. Rouhana Jr., chairman and chief executive officer of Chicken Soup for the Soul Entertainment. "We continued the rollout of our distribution touchpoint expansion strategy, which has driven higher levels of viewership, and our new tech platform, which is increasing viewer engagement as well. We also made great progress expanding one of the largest AVOD libraries of owned and operated content, and expanded and diversified our ad rep partnerships."

"All of these factors position us well to execute on our efforts to meaningfully scale the business and today we announced separately a major transaction that will accelerate those efforts, our proposed acquisition of Redbox."

First Quarter 2022 Financial Summary

- Net revenue of \$29.2 million, compared to \$36.0 million in the seasonally high fourth quarter of 2021, and \$23.2 million in the year-ago period, an increase of 26% year over year.
- Net loss of \$14.1 million compared with a net loss of \$22.4 million in the fourth quarter of 2021, and a net loss of \$9.2 million in the year-ago period; \$11.8 million net loss before dividends, compared with \$20.2 million net loss in the fourth quarter 2021, and \$6.9 million net loss in the year-ago period.
- Adjusted EBITDA of \$3.7 million, compared with \$9.3 million in the fourth quarter 2021, and \$4.6 million in the year-ago period.

Recent Business Highlights

- Announced planned acquisition of Redbox Entertainment Inc., creating leading independent, integrated direct-to-consumer media platform delivering premium entertainment for value conscious consumers
- Grew Crackle Plus viewership by 11.5% quarter over quarter driven by distribution touchpoint rollout strategy
- Original and exclusive content viewership grew to 27% of total viewership in the first quarter
- Rolled out new technology platform for Crackle on Samsung TVs, improving the user experience and increasing time spent on the platform
- Launched the Chicken Soup for the Soul AVOD on VIZIO, bringing thousands of hours of lifestyle programming, Hollywood blockbusters and classic scripted TV series to viewers
- Expanded Crackle Plus AVOD to 70 touchpoints, remaining on track for 90-touchpoint goal in 2022

Gross profit for the quarter ended March 31, 2022 was \$6.6 million, or 23% of net revenue, compared with \$11.4 million in the fourth quarter of 2021, or 32% of net revenue, and compared with \$7.0 million, or 30% of net revenue for the year-ago period.

Operating loss for the quarter ended March 31, 2022 was \$10.8 million compared with an operating loss of \$19.1 million in the fourth quarter of 2021, and \$5.8 million in the year-ago period.

Net loss was \$14.1 million, or \$0.92 per share, compared with a net loss of \$22.4 million, or \$1.38 per share, in the fourth quarter 2021, and a net loss of \$9.2 million, or \$0.67 per share in the prior-year period. Excluding preferred dividends, the net loss in the first quarter of 2022 would have been \$11.8 million, or \$0.77 per share, compared with a net loss of \$6.9 million, or \$0.51 per share for the year-ago period.

Adjusted EBITDA for the quarter ended March 31, 2022, was \$3.7 million, compared with \$9.3 million in the fourth quarter of 2021, and \$4.6 million in the same period last year.

As of March 31, 2022, the Company had \$21.5 million of cash, cash equivalents and restricted cash compared with \$44.3 million as of December 31, 2021, and outstanding debt of \$67.9 million as of March 31, 2022, compared with \$56.7 million as of December 31, 2021.

For a discussion of the financial measures presented herein that 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.

The results included herein will be filed in our Quarterly Report on Form 10-Q for the three-months ended March 31, 2022 to be filed with the SEC on May 11, 2022.

Conference Call Information

- Date, Time: Wednesday, May 11, 2022, 8:30 a.m. ET
- Toll-free: (888) 428-7458
- International: (862) 298-0702
- A live webcast is available at <http://ir.cssentertainment.com/> under the "News & Events" tab

Conference Call Replay Information

- A webcast replay will be made available at <http://ir.cssentertainment.com/> under the "News & Events" tab following the completion of the call

About Chicken Soup for the Soul Entertainment

Chicken Soup for the Soul Entertainment, Inc. (Nasdaq: CSSE) operates video-on-demand (VOD) streaming services. The company owns Crackle Plus, which owns and operates a variety of ad-supported VOD streaming services 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, cash and non-recurring expenses recognized during the three months ended March 31, 2022 and 2021, and the likelihood of material non-cash, 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), amortization and certain costs related to our film library, 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 will be provided in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of Unaudited 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, 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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	(unaudited)	
ASSETS		
Cash, cash equivalents and restricted cash	\$ 21,499,311	\$ 44,286,105
Accounts receivable, net of allowance for doubtful accounts of \$785,497, and \$786,830, respectively	66,224,566	60,213,807
Prepaid expenses and other current assets	3,043,049	1,904,273
Due from affiliated companies	684,946	—
Operating lease right-of-use assets	8,385,948	—
Content assets, net	86,816,164	63,645,396
Intangible assets, net	21,649,516	18,035,091
Indefinite lived intangible assets	12,163,943	12,163,943
Goodwill	44,906,055	39,986,530
Other assets, net	5,570,677	5,190,954
Total assets	\$ 270,944,175	\$ 245,426,099
LIABILITIES AND EQUITY		
Accounts payable and accrued other expenses	\$ 43,836,814	\$ 34,984,226
Due to affiliated companies	—	489,959
Programming obligations	15,570,000	1,641,250
Film library acquisition obligations	19,139,499	24,673,866
Accrued participation costs	18,118,463	12,323,329
Film acquisition advances	12,970,779	6,196,909
Revolving loan	22,035,713	17,585,699
9.50% Notes due 2025, net of deferred issuance costs of \$1,303,991 and \$1,402,880, respectively	31,591,909	31,493,020
Contingent consideration	6,639,061	9,764,256
Put option obligation	11,400,000	11,400,000
Operating lease liabilities	9,799,043	—
Other liabilities	5,481,387	3,274,432
Total liabilities	196,582,668	153,826,946

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; 3,830,378 and 3,698,318 shares issued and outstanding, respectively; redemption value of \$95,759,450 and \$92,457,950, respectively

383

370

Class A common stock, \$.0001 par value, 70,000,000 shares authorized; 9,423,330 and 8,964,330 shares issued, 7,701,722 and 8,019,828 shares outstanding, respectively	945	899
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	245,978,573	240,609,345
Deficit	(150,589,204)	(136,462,244)
Accumulated other comprehensive loss	(18)	571
Class A common stock held in treasury, at cost (1,721,608 and 944,502 shares, respectively)	(21,786,509)	(13,202,407)
Total stockholders' equity	73,604,936	90,947,300
Noncontrolling interests	756,571	651,853
Total equity	74,361,507	91,599,153
Total liabilities and equity	\$ 270,944,175	\$ 245,426,099

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

	Three Months Ended March	
	31,	
	2022	2021
Net revenue	\$ 29,206,197	\$ 23,196,842
Cost of revenue	22,575,408	16,242,934
Gross profit	6,630,789	6,953,908
Operating expenses:		
Selling, general and administrative	12,816,520	9,234,819
Amortization and depreciation	1,648,258	1,238,027
Management and license fees	2,920,620	2,319,684
Total operating expenses	17,385,398	12,792,530
Operating loss	(10,754,609)	(5,838,622)
Interest expense	1,310,459	1,087,944
Other non-operating income, net	(201,792)	(570)
Loss before income taxes and preferred dividends	(11,863,276)	(6,925,996)
Provision for income taxes	20,000	14,000
Net loss before noncontrolling interests and preferred dividends	(11,883,276)	(6,939,996)
Net loss attributable to noncontrolling interests	(38,385)	—
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(11,844,891)	(6,939,996)
Less: preferred dividends	2,282,069	2,253,385
Net loss available to common stockholders	\$ (14,126,960)	\$ (9,193,381)
Net loss per common share:		
Basic and diluted	\$ (0.92)	\$ (0.67)
Weighted-average common shares outstanding:		
Basic and diluted	15,331,743	13,635,759

Chicken Soup for the Soul Entertainment, Inc.
Adjusted EBITDA
(unaudited)

	Three Months Ended March	
	31,	
	2022	2021
Net loss available to common stockholders	\$ (14,126,960)	\$ (9,193,381)
Preferred dividends	2,282,069	2,253,385
Provision for income taxes	20,000	14,000
Other taxes	80,372	84,493
Interest expense	1,310,459	1,087,944
Film library amortization and related costs	9,687,024	6,928,667
Share-based compensation expense	996,797	231,844

Expense for bad debt and video returns	581,834	694,212
Amortization and depreciation	2,004,073	1,621,360
Other non-operating income, net	(201,792)	(570)
Transitional expenses	107,785	—
All other nonrecurring costs	920,432	840,050
Adjusted EBITDA	\$ 3,662,093	\$ 4,562,004

Chicken Soup for the Soul Entertainment, Inc.
Adjusted Earnings Per Share
(unaudited)

	Three Months Ended March	
	31,	
	2022	2021
Basic and diluted loss per share	\$ (0.92)	\$ (0.67)
Amortization related to acquired intangible assets	0.09	0.09
Adjusted basic and diluted loss per share	\$ (0.83)	\$ (0.58)



Source: Chicken Soup for the Soul Entertainment, Inc.