



Chicken Soup for the Soul Entertainment Reports Q3 2020 Results

November 12, 2020

Strong performance across Online Networks and Distribution & Production businesses drives significant growth

COS COB, Conn., Nov. 12, 2020 (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 third quarter ended September 30, 2020.

Third Quarter 2020 Financial Summary

- Gross revenue of \$20.0 million, compared to \$13.9 million in the second quarter of 2020, and \$17.0 million in the year-ago period.
- Net loss of \$13.0 million compared to a net loss of \$10.0 million in the second quarter of 2020, and a net loss of \$13.3 million in the year-ago period; \$12.0 million net loss before preferred dividends, compared to \$9.0 million net loss in the second quarter 2020, and \$12.4 million net loss before preferred dividends in the year-ago period.
- Adjusted EBITDA of \$4.2 million, compared to \$2.7 million in the second quarter 2020, and a loss of \$0.4 million in the year-ago period.
- Online Networks, which include Crackle and Popcornflix, revenue of \$6.7 million compared to \$5.4 million in the second quarter of 2020, and \$14.4 million in the year-ago period. The year-over-year decline reflects approximately \$6.2 million in advertising revenue in the year ago period from the since-shuttered Playstation Vue, and intercompany revenue share payments in the 2020 period of \$1.3 million to our Distribution & Production business for the licensing of content from our sister company, Screen Media.
- Distribution & Production revenue of \$13.3 million compared to \$8.5 million in the second quarter of 2020, and \$2.7 million in the year-ago period due to strength in content licensing and TVOD revenue.

Recent Business Highlights

- Continued to expand pipeline of Original & Exclusive content which represented 16% of average monthly streaming hours in the quarter, compared to just 2% a year ago.
- Online Networks delivered steady viewership throughout the quarter and sequential growth in ad impressions. The latest Crackle original series, *Spides*, premiered on September 17th, and drove over one million streams in its first two weeks.
- Distribution and Production generated strong performance driven by the #1 TVOD hit *The Outpost* as well as the company's growing library of film and television content.
- Today the company agreed to a 30-day extension of a key decision deadline, to December 14, 2020, as the Crackle Plus joint venture partners assess the possibility of closer collaboration.

"Our strong third quarter results demonstrate that we are continuing our momentum, despite the pandemic, and we are poised for a terrific end to 2020," said William J. Rouhana Jr., chairman and chief executive officer of Chicken Soup for the Soul Entertainment. "Viewers are engaging with our differentiated and expanding Original and Exclusive content, and our Distribution and Production business generated an exceptional performance driven by one of the summer and fall's most-watched films on VOD, *The Outpost*. We are now turning our focus to growing awareness of our Crackle Plus networks to scale viewership, while continuing to expand our stable of fully owned content, which will drive both future revenue opportunity and higher margins. We've also enhanced our balance sheet, working capital position and financial flexibility. We believe we are in an excellent position to drive greater levels of growth in 2021 as we capitalize on the robust opportunities ahead in the emerging AVOD landscape."

Gross profit for the quarter ended September 30, 2020 was \$4.5 million, or 23% of net revenue, compared to \$0.6 million in the second quarter, or 4% of net revenue, and \$3.2 million, or 19% of net revenue for the year-ago period. The change in the percentage of gross profit resulted in part from non-cash amortization of the film library in the company's traditional distribution business, which is required by GAAP to be included in cost of revenue. Without this non-cash film library amortization expense, the gross profit would have been \$12.5 million or 65% of total net revenue.

Operating loss for the quarter ended September 30, 2020 was \$11.3 million compared to an operating loss of \$13.1 million in the second quarter 2020, and \$9.6 million in the year-ago period. Without this film library amortization expense and other depreciation and amortization, operating income would have been \$1.3 million.

Net loss was \$13.0 million, or \$1.04 per share, compared to a net loss of \$10.0 million, or \$0.83 per share, in the second quarter 2020, and a net loss

of \$13.3 million, or \$1.11 per share in the prior-year third quarter. Excluding preferred dividends, the net loss in the third quarter of 2020 would have been \$12.0 million, or \$0.96 per share, compared to net loss of \$12.4 million, or \$1.03 per share for the year-ago period.

Adjusted EBITDA for the quarter ended September 30, 2020 was \$4.2 million, compared to \$2.7 million in the second quarter 2020, and a loss of \$0.4 million in the year-ago period.

As of September 30, 2020, the company had \$9.2 million of cash and cash equivalents compared to \$6.2 million at September 30, 2019, and outstanding debt of \$34.8 million as of September 30, 2020 compared to \$20.2 million as of September 30, 2019.

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 and Pro Forma 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, November 12, 2020, 4:30 p.m. ET.
- Toll-free: (833) 832-5128
- International: (484) 747-6583
- Conference ID: 2772449
- A live webcast and replay will be available at <http://ir.cssentertainment.com/> under the "News & Events" tab

Conference Call Replay Information

- Toll-free: (855) 859-2056
- International: (404) 537-3406
- Conference ID: 2772449

ABOUT CHICKEN SOUP FOR THE SOUL ENTERTAINMENT

Chicken Soup for the Soul Entertainment, Inc. (Nasdaq: CSSE) operates streaming video-on-demand networks (VOD). The company owns a majority stake in Crackle Plus, a company formed with Sony Pictures Television, 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, its Chicken Soup for the Soul Originals division and APlus.com. 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 (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. Management believes Adjusted EBITDA to be a meaningful indicator of our performance that provides useful information to investors regarding our 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 interim report on Form 10-Q for the three and nine months ended September 30, 2020 and Annual Report on Form 10-K for the year ended December 31, 2019 under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Reconciliation of GAAP Net Income as reported to Adjusted EBITDA."

FORWARD-LOOKING STATEMENTS

This press release includes forward-looking statements that involve risks and uncertainties. Forward-looking statements are statements that are not historical facts. Such forward-looking statements are subject to risks (including those set forth in the Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 30, 2020) and uncertainties which could cause actual results to differ from the forward-looking statements. The company expressly disclaims any obligations or undertakings 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. Investors should realize that if our underlying assumptions for the projections contained herein prove inaccurate or that known or unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections.

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Tables Follow

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

	September 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 9,243,315	\$ 6,447,402
Accounts receivable, net of allowance for doubtful accounts of \$1,777,744 and \$1,531,247, respectively	24,772,024	34,661,119
Prepaid expenses and other current assets	2,985,503	1,173,223
Goodwill	21,448,106	21,448,106
Indefinite lived intangible assets	12,163,943	12,163,943
Intangible assets, net	20,575,942	35,451,951
Film library, net	36,878,196	33,250,149
Due from affiliated companies	6,081,324	7,642,432
Programming costs and rights, net	20,702,405	15,113,574
Other assets, net	4,794,239	313,585
Total assets	\$ 159,644,997	\$ 167,665,484
LIABILITIES AND EQUITY		
Current maturities of commercial loan	\$ —	\$ 3,200,000
Commercial loan, net of unamortized deferred finance costs of \$0 and \$189,525, respectively	—	11,810,475
9.50% Notes due 2025, net of unamortized deferred finance costs of \$1,059,401 and \$0, respectively	21,040,599	—
Notes payable under revolving credit facility	2,500,000	5,000,000
Film acquisition advance	10,210,000	—
Accounts payable and accrued expenses	25,923,748	26,646,390
Ad representation fees payable	3,021,520	12,429,838
Film library acquisition obligations	10,609,186	5,020,600
Programming obligations	6,416,012	7,300,861
Accrued participation costs	12,894,099	5,066,512
Other liabilities	1,777,548	170,106
Total liabilities	94,392,712	76,644,782
Commitments and contingencies		
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; 1,732,139 and 1,599,002 shares issued and outstanding, respectively; redemption value of \$43,303,475 and \$39,975,050, respectively	173	160
Class A common stock, \$.0001 par value, 70,000,000 shares authorized; 4,919,195 and 4,259,920 shares issued, 4,844,960 and 4,185,685 shares outstanding,	492	425

respectively

Class B common stock, \$.0001 par value, 20,000,000 shares authorized; 7,813,938 shares issued and outstanding

	782	782
Additional paid-in capital	96,498,618	87,610,030
Deficit	(67,182,836)	(32,695,629)
Class A common stock held in treasury, at cost (74,235 shares)	(632,729)	(632,729)
Total stockholders' equity	28,684,500	54,283,039
Subsidiary convertible preferred stock	36,350,000	36,350,000
Noncontrolling interests	217,785	387,663
Total equity	65,252,285	91,020,702
Total liabilities and equity	\$ 159,644,997	\$ 167,665,484

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue:				
Online networks	\$ 6,652,562	\$ 14,383,659	\$ 21,038,965	\$ 25,128,001
Distribution and Production	13,318,050	2,662,429	26,948,795	6,655,114
Total revenue	19,970,612	17,046,088	47,987,760	31,783,115
Less: returns and allowances	(608,861)	(255,394)	(1,861,396)	(828,785)
Net revenue	19,361,751	16,790,694	46,126,364	30,954,330
Cost of revenue	14,840,851	13,614,648	37,684,786	23,568,743
Gross profit	4,520,900	3,176,046	8,441,578	7,385,587
Operating expenses:				
Selling, general and administrative	9,301,550	6,371,870	23,194,223	13,894,351
Amortization and depreciation	4,576,742	4,695,522	15,022,885	5,631,136
Management and license fees	1,936,175	1,676,303	4,612,636	3,091,093
Total operating expenses	15,814,467	12,743,695	42,829,744	22,616,580
Operating loss	(11,293,567)	(9,567,649)	(34,388,166)	(15,230,993)
Interest expense	659,803	195,881	1,322,831	483,363
Loss on extinguishment of debt	169,219	350,691	169,219	350,691
Acquisition-related costs	—	1,078,637	98,926	3,735,373
Other non-operating income, net	(43,445)	(8,997)	(4,381,292)	(34,546)
Loss before income taxes and preferred dividends	(12,079,144)	(11,183,861)	(31,597,850)	(19,765,874)
Provision for income taxes	26,000	1,248,000	93,000	557,000
Net loss before noncontrolling interests and preferred dividends	(12,105,144)	(12,431,861)	(31,690,850)	(20,322,874)
Net loss attributable to noncontrolling interests	(73,135)	(37,473)	(169,878)	(36,960)
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(12,032,009)	(12,394,388)	(31,520,972)	(20,285,914)
Less: preferred dividends	1,017,691	929,387	2,966,235	2,330,675
Net loss available to common stockholders	\$ (13,049,700)	\$ (13,323,775)	\$ (34,487,207)	\$ (22,616,589)
Net loss per common share:				
Basic and diluted	\$ (1.04)	\$ (1.11)	\$ (2.83)	\$ (1.89)

Chicken Soup for the Soul Entertainment, Inc.
Adjusted EBITDA

	Three Months Ended September 30,	
	2020	2019
Net loss available to common stockholders	\$ (13,049,700)	\$ (13,323,775)
Preferred dividends	1,017,691	929,387
Provision for income taxes	26,000	1,248,000
Other taxes	97,466	54,590
Interest expense	659,803	195,881
Film library and program rights amortization	8,020,638	1,369,874
Share-based compensation expense	346,773	303,205
Acquisition-related costs	—	1,078,637
Reserve for bad debt and video returns	1,538,449	722,729
Amortization and depreciation	4,960,074	4,695,522
Other non-operating income, net	(43,445)	(8,997)
Loss on extinguishment on debt	169,219	350,691
Transitional expenses	—	1,634,771
All other nonrecurring costs	472,322	377,184
Adjusted EBITDA	\$ 4,215,290	\$ (372,301)

	Nine Months Ended September 30,	
	2020	2019
Net loss available to common stockholders	\$ (34,487,207)	\$ (22,616,589)
Preferred dividends	2,966,235	2,330,675
Provision for income taxes	93,000	557,000
Other Taxes	202,117	386,265
Interest expense	1,322,831	483,363
Film library and program rights amortization	16,922,753	3,804,268
Share-based compensation expense	820,881	794,149
Acquisition-related costs	98,926	3,735,373
Reserve for bad debt & video returns	4,072,785	1,241,243
Amortization and depreciation	15,661,774	5,631,136
Other non-operating income, net	(4,381,292)	(34,546)
Loss on extinguishment on debt	169,219	350,691
Transitional expenses	4,353,345	2,876,124
All other nonrecurring costs	1,128,662	564,240
Adjusted EBITDA	\$ 8,944,029	\$ 103,392



Source: Chicken Soup for the Soul Entertainment, Inc.