



Chicken Soup for the Soul Entertainment Reports Q4 and Full Year 2020 Results

March 31, 2021

Record results and significant operational progress in 2020 set the stage for a strong 2021

COS COB, Conn., March 31, 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 fourth quarter and full year ended December 31, 2020.

"The fourth quarter capped off a very successful 2020 as we continued to deliver growth in original and exclusive content on Crackle Plus and expanded our distribution to drive viewership growth into the future," said William J. Rouhana Jr., chairman and chief executive officer of Chicken Soup for the Soul Entertainment. "Our strong 2020 results set the stage for what is shaping up to be a year of transformational growth in 2021. Our Distribution and Production business grew over 200% year-over-year and Crackle has seen strong viewership increases in the first quarter with continued increases in viewership of our original and exclusive content."

"We are positioning Chicken Soup for the Soul Entertainment as a pure play AVOD network operator with a rich trove of content assets, differentiated production capabilities, a deep pipeline of exciting new original and exclusive content, and viewership that we expect to continue growing throughout the year as our new distribution touchpoints deliver results. We are building momentum toward our goal of creating the best AVOD experience."

Fourth Quarter 2020 Financial Summary

- Gross revenue of \$20.2 million, compared to \$20.0 million in the third quarter of 2020, and \$24.8 million in the year-ago period.
- Online Networks, which include Crackle and Popcornflix, gross revenue of \$10.8 million, up 35% from \$8.0 million in the third quarter of 2020, and compared to \$15.9 million in the year-ago period. Gross revenue included intercompany revenue share payments of \$1.7 million, \$1.3 million, and \$1.0 million, respectively. On a comparable basis, after the deduction of \$5.6 million of revenue from the since-shuttered Playstation Vue, the year-over-year gross revenue grew from \$10.1 million to \$10.8 million, an increase of 7%.
- Distribution and Production revenue of \$11.1 million compared to \$13.3 million in the third quarter of 2020, and \$9.9 million in the year-ago period.
- Net loss of \$10.1 million compared to a net loss of \$13.0 million in the third quarter of 2020, and a net loss of \$12.4 million in the year-ago period; \$8.9 million net loss before preferred dividends, compared to \$12.1 million net loss in the third quarter 2020, and \$11.4 million net loss before preferred dividends in the year-ago period.
- Adjusted EBITDA of \$2.8 million, compared to \$4.2 million in the third quarter 2020, and \$5.9 million in the year-ago period.

Full Year 2020 Financial Summary

- Record gross revenue of \$68.2 million, compared to \$56.6 million in 2019.
- Online networks generated \$35.3 million in gross revenue compared to \$41.7 million in 2019. Gross revenue included intercompany revenue share payments of \$5.2 million and \$1.7 million, respectively. On a comparable basis, after the deduction of \$0.3 million and \$15.9 million of revenue from the since-shuttered Playstation Vue, the year-over-year gross revenue grew from \$25.8 million to \$35.0 million, an increase of 36%.
- Distribution & Production gross revenue was \$38.0 million in revenue compared to \$16.6 million in 2019.
- Net loss of \$44.6 million compared to \$35.0 million in 2019; \$40.4 million net loss before preferred dividends, compared to \$31.7 million net loss before preferred dividends in 2019.
- Adjusted EBITDA was \$11.8 million, compared to \$6.0 million in 2019.

Recent Business Highlights

- Continued to expand pipeline of Original & Exclusive content which represented nearly 20.0% of ad impressions for the fourth quarter and 18.5% for full year 2020.
- Increased distribution of Crackle Plus AVOD networks to 41 touchpoints and expanding this initiative with plans to reach a total of 64 consumer touchpoints.

- Signed agreement for Crackle-branded button to be included on approximately 2.5 million VIZIO SmartCast TV remotes in 2021.
- Obtained 100% ownership of Crackle Plus from Sony Pictures Television, strengthening relationship and positioning company for further growth.
- Strengthened balance sheet and enhanced liquidity with additional equity and long-term debt without covenants.

Gross profit for the year ended December 31, 2020 was \$14.2 million, or 21% of net revenue, compared to \$14.9 million, or 27% of net revenue in 2019.

Operating loss for the year ended December 31, 2020 was \$44.3 million compared to an operating loss of \$26.1 million in 2019.

Net loss for the year ended December 31, 2020 was \$44.6 million, or \$3.62 per share, compared to a net loss of \$35.0 million, or \$2.92 per share, in the prior year. Excluding preferred dividends, the net loss in 2020 was \$40.4 million, or \$3.29 per share, compared to net loss of \$31.7 million, or \$2.64 per share, in the prior year.

Adjusted EBITDA for the year ended December 31, 2020 was \$11.8 million, compared to \$6.0 million in 2019.

As of December 31, 2020, the company had \$14.7 million of cash and cash equivalents compared to \$6.4 million at December 31, 2019, and outstanding debt of \$33.6 million as of December 31, 2020 compared to \$20.0 million as of December 31, 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: Wednesday, March 31, 2021, 4:30 p.m. ET.
- Toll-free: (833) 832-5128
- International: (484) 747-6583
- Conference ID: 2587209
- 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: 2587209

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 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 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 31, 2021) and uncertainties which could cause actual results to differ from the forward-looking statements. The company expressly disclaims any obligations 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. 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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Chicken Soup for the Soul Entertainment, Inc. Condensed Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	\$ 14,732,726	\$ 6,447,402
Accounts receivable, net of allowance for doubtful accounts of \$1,035,643, and \$1,531,247, respectively	25,996,947	34,661,119
Prepaid expenses and other current assets	1,382,502	1,173,223
Goodwill	21,448,106	21,448,106
Indefinite lived intangible assets	12,163,943	12,163,943
Intangible assets, net	19,370,490	35,451,951
Film library, net	35,239,135	33,250,149
Due from affiliated companies	5,648,652	7,642,432
Programming costs and rights, net	15,781,183	15,113,574
Other assets, net	4,517,102	313,585
Total assets	\$ 156,280,786	\$ 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 issuance costs of \$1,798,433 and \$0, respectively	31,097,467	—
Notes payable under revolving credit facility	2,500,000	5,000,000
Film acquisition advance	8,659,136	—
Accounts payable and accrued expenses	18,445,925	26,646,390
Ad representation fees payable	2,949,032	12,429,838
Film library acquisition obligations	8,616,562	5,020,600
Programming obligations	4,697,316	7,300,861
Accrued participation costs	12,535,651	5,066,512
Other liabilities	1,677,906	170,106
Total liabilities	91,178,995	76,644,782

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; 2,098,318 and 1,599,002 shares issued and outstanding, respectively; redemption value of \$52,457,950 and

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\$39,975,050, respectively

Class A common stock, \$.0001 par value, 70,000,000 shares authorized; 5,157,053 and 4,259,920 shares issued, 5,082,818 and 4,185,685 shares outstanding, respectively

Class B common stock, \$.0001 par value, 20,000,000 shares authorized; 7,654,506 and 7,813,938 shares issued and outstanding, respectively

Additional paid-in capital

Deficit

Class A common stock held in treasury, at cost (74,235 shares)

Total stockholders' equity

Subsidiary convertible preferred stock

Noncontrolling interests

Total equity

Total liabilities and equity

516	425
766	782
106,425,548	87,610,030
(77,247,982)	(32,695,629)
(632,729)	(632,729)
28,546,329	54,283,039
36,350,000	36,350,000
205,462	387,663
65,101,791	91,020,702
\$ 156,280,786	\$ 167,665,484

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

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue:				
Online networks	\$ 9,106,260	\$ 14,899,288	\$ 30,145,225	\$ 40,027,289
Distribution and Production	11,076,002	9,922,749	38,024,797	16,577,863
Total revenue	<u>20,182,262</u>	<u>24,822,037</u>	<u>68,170,022</u>	<u>56,605,152</u>
Less: returns and allowances	48,330	(412,461)	(1,813,066)	(1,241,246)
Net revenue	<u>20,230,592</u>	<u>24,409,576</u>	<u>66,356,956</u>	<u>55,363,906</u>
Cost of revenue	<u>14,455,033</u>	<u>16,854,807</u>	<u>52,139,819</u>	<u>40,423,550</u>
Gross profit	<u>5,775,559</u>	<u>7,554,769</u>	<u>14,217,137</u>	<u>14,940,356</u>
Operating expenses:				
Selling, general and administrative	8,379,145	8,347,681	31,573,368	22,242,032
Amortization and depreciation	1,268,442	7,662,143	16,291,327	13,293,279
Impairment of content assets	3,973,878	—	3,973,878	—
Management and license fees	2,023,060	2,445,297	6,635,696	5,536,390
Total operating expenses	<u>15,644,525</u>	<u>18,455,121</u>	<u>58,474,269</u>	<u>41,071,701</u>
Operating loss	<u>(9,868,966)</u>	<u>(10,900,352)</u>	<u>(44,257,132)</u>	<u>(26,131,345)</u>
Interest expense	899,275	327,654	2,222,106	811,017
Loss on extinguishment of debt	—	—	169,219	350,691
Acquisition-related costs	—	232,916	98,926	3,968,289
Other non-operating income, net	(1,872,913)	(5,645)	(6,254,205)	(40,191)
Loss before income taxes and preferred dividends	<u>(8,895,328)</u>	<u>(11,455,277)</u>	<u>(40,493,178)</u>	<u>(31,221,151)</u>
Provision for income taxes	6,000	28,000	99,000	585,000
Net loss before noncontrolling interests and preferred dividends	<u>(8,901,328)</u>	<u>(11,483,277)</u>	<u>(40,592,178)</u>	<u>(31,806,151)</u>
Net loss attributable to noncontrolling interests	(12,323)	(97,322)	(182,201)	(134,282)
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	<u>(8,889,005)</u>	<u>(11,385,955)</u>	<u>(40,409,977)</u>	<u>(31,671,869)</u>
Less: preferred dividends	1,176,141	974,272	4,142,376	3,304,947
Net loss available to common stockholders	<u>\$ (10,065,146)</u>	<u>\$ (12,360,227)</u>	<u>\$ (44,552,353)</u>	<u>\$ (34,976,816)</u>
Net loss per common share:				
Basic and diluted	\$ (0.79)	\$ (1.03)	\$ (3.62)	\$ (2.92)

Chicken Soup for the Soul Entertainment, Inc.
Adjusted EBITDA

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>

Net loss available to common stockholders	\$ (10,065,146)	\$ (12,360,227)	\$ (44,552,353)	\$ (34,976,816)
Preferred dividends	1,176,141	974,272	4,142,376	3,304,947
Provision for income taxes	6,000	28,000	99,000	585,000
Other taxes	110,483	73,940	312,600	460,205
Interest expense	899,275	327,654	2,222,106	811,017
Film library and program rights amortization	6,641,019	6,878,959	23,563,772	10,683,227
Share-based compensation expense	310,634	267,777	1,131,515	1,061,926
Acquisition-related costs	—	232,916	98,926	3,968,289
Expense for bad debt and video returns	(688,201)	1,428,456	3,384,584	2,669,699
Amortization and depreciation	1,655,473	7,662,143	17,317,247	13,293,279
Other non-operating income, net	(1,872,913)	(5,645)	(6,254,205)	(40,191)
Loss on extinguishment of debt	—	—	169,219	350,691
Impairment of content assets	3,973,878	—	3,973,878	—
Transitional expenses	—	629,731	4,353,345	3,505,855
All other nonrecurring costs	660,907	(287,840)	1,789,569	276,400
Adjusted EBITDA	\$ 2,807,550	\$ 5,850,136	\$ 11,751,579	\$ 5,953,528



Source: Chicken Soup for the Soul Entertainment, Inc.