

# Zacks Small-Cap Research

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## Chicken Soup For The Soul Entertainment (NASDAQ: CSSE)

**CSSE is a Huge Beneficiary as Advertisers Shift Spending to AVOD from Television and Cable**

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2020E and trailing 12 month EV to Sales multiples result in a price of \$37.00 per share. A strategic acquirer might pay much more.

### OUTLOOK

Chicken Soup for the Soul Entertainment has a joint venture with Sony's Crackle channel making it one of the top two players in advertising supported video on demand (AVOD.) Pro forma numbers reveal that in 2019 together the two would have generated \$79 million in revenues. In July advertising returned to normal levels (minus PlayStation Vue business) and Crackle viewership continues to grow portending a booming 2021 with 40% growth. Comps and recent acquisitions in the streaming space show CSSE to be undervalued versus its peers.

Current Price (11/13/20) \$14.86  
Valuation \$37.00

### SUMMARY DATA

52-Week High	\$16.02
52-Week Low	\$5.01
One-Year Return (%)	66.4
Beta	1.7
Average Daily Volume (sh)	55,342
Shares Outstanding (mil)	12.7
Market Capitalization (\$mil)	\$188
Short Interest Ratio (days)	8.4
Institutional Ownership (%)	13
Insider Ownership (%)	73
Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00
5-Yr. Historical Growth Rates	
Sales (%)	97.7
Earnings Per Share (%)	N/A
Dividend (%)	N/A
P/E using TTM EPS	N/M
P/E using 2019 Estimate	N/M
P/E using 2020 Estimate	N/M
Zacks Rank	N/A

Risk Level Above Average  
Type of Stock Small Growth  
Industry Broadcast-Radio/TV

### ZACKS ESTIMATES

#### Net Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2018	\$5.8 A	\$2.9 A	\$6.5 A	\$11.7 A	\$26.9 A
2019	\$2.2 A	\$12.0 A	\$16.8 A	\$24.4 A	\$55.4 A
2020	\$13.2 A	\$13.5 A	\$19.4 A	\$21.7 E	\$67.8 E
2021					\$95.0 E

#### GAAP EPS

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2018	-\$0.09 A	-\$0.12 A	-\$0.01 A	\$0.04 A	-\$0.16 A
2019	-\$0.28 A	-\$0.49 A	-\$1.11 A	-\$1.03 A	-\$2.92 A
2020	-\$0.95 A	-\$0.83 A	-\$1.04 A	-\$0.54 E	-\$3.47 E
2021					-\$1.14 E

### Business Is Improving as the Ad World Wakes Up to AVOD

Coming off a dismal summer for advertising driven by pandemic lockdowns, business is rapidly improving for CSSE and the entire AVOD industry as the slow moving advertising industry finally starts to shift spending to where the viewers are. Since Netflix and the rest of the SVOD crowd are unavailable, advertisers are embracing the AVOD players where not only can they place ads, but fine tune them to be viewed by the audiences they want with precision. In the third quarter analytics company Innovid measured that ad impressions delivered by connected TV (CTV) grew 55%. This growth has been accelerating and by September ad impressions grew 58%. A connected TV includes all streaming whether through a smart TV, or a device such as a Roku device or Fire TV Stick. CTV's market share of video ad impressions is also growing as reached 41% of all video ad impressions from 33% in 2019's quarter.

Crackle+ averaged approximately 52 million video streams per month in Q3 compared to 50 million in Q2. In the quarter original and exclusive content was 16% of streaming hours compared to 17% in Q2 and almost 15% of streaming hours in Q1 2020. In last year's third quarter it was only 2%.

Importantly Crackle has seen increased interest from advertisers and an increasing CPM. The company believes the brands are looking for targeted campaigns Crackle can provide, and many of the other AVODs, now owned by multimedia companies, are trying to sell them bundles of various media rather than just the AVOD show or channel they want.

### Q3 2020 Results

Chicken Soup for the Soul Entertainment came in with Q3 revenues and EBITDA above our forecasts. Net revenues were \$19.4 million versus \$16.8 million a year ago, up 15.3%. The Television and Film Distribution segment reported \$13.3 million in revenues compared to \$2.7 million last year, no doubt significantly benefitting from the company's hit movie *The Outpost*. The company released it to video on demand on July 3rd. It was a streaming hit and shot to the top of the charts. It has generated \$2 million in overseas box office revenues. It was not released to theaters in the US. After its VOD run, the movie was sold on DVD, and moved to Netflix on October 2<sup>nd</sup> where it can be seen now. It will ultimately become available on the company's Crackle service.

Online networks declined to \$6.7 million from \$14.4 million a year ago. Gross revenues were however \$8 million versus \$14.4 million as there were intercompany transfers of \$1.3 million. The decline in revenues was primarily due to the loss of low margin ad revenues from the now shut down PlayStation Vue service. Revenues from that service contributed \$6.3 million in sales to the Q3 2019 quarter. Without that \$6.3 million in last year's quarter, online network revenues would have been \$8.1 million in 2019 versus \$8.0 million in 2020.

The company continues to work to add more original and exclusive content as it provides higher ROI. This quarter that content was 16% of viewership versus last year's 2%. In the quarter CSSE launched *Spides* a new scripted series that has become its biggest viewed series and has had over a million views already. It also had success with the movies *Corporate Animals*, *Metro Sexual*, and *Blue Iguana*.

Gross margin after film library amortization was 22.6% up from 18.6% a year ago. This was significantly above the 4.2% in Q2. Before amortization, gross margin was a much-improved 64.6% compared to 28.8% a year ago and 51.7% in Q2. The Production and Distribution segment has a higher margin than the online business and as that segment becomes a greater part of overall sales, margins expand.

Operating expenses increased to \$16.0 million versus \$12.7 million last year.

Other expense was \$0.7 million compared to \$1.6 million a year ago. Last year's number had one-time expenses of \$1.4 million of acquisition related costs and loss on extinguishment of debt.

Net loss to common shareholders was a loss of \$13.1 million, slightly less than the loss of \$13.3 million in Q3 2019. GAAP loss per share was \$1.04 versus a loss of \$1.11 a year ago and the share count remained steady. On a non-GAAP basis, (taking out stock-based compensation and one-time charges,) we believe the loss would be \$1.02 per share versus a loss of \$1.00 per share a year ago.

Fortunately the company is run on EBITDA due to high amortization costs distorting the profitability of the enterprise. For Q3 EBITDA beat expectations and was a positive \$4.2 million compared to \$2.7 million in Q2 2020 and a negative \$372,000 in Q3 2019. We expect EBITDA to continue to improve. In addition to EBITDA, the company was also operating cash flow positive. Operating cash flow was \$2.9 million and free cash flow was a positive \$520,000.

## Balance Sheet

CSSE ended the quarter with \$9.2 million in cash and \$21.0 million in debt compared to \$6.2 million and \$15.8 million last year. On September 2, 2020 CSSE announced that its subsidiary Screen Media Ventures closed a new film acquisition facility with partner Great Point Media, initially funded at \$10M. It stated that this fund enables it to significantly expand its library by acquiring desired content when it is available. This new fund is 100% funded by Great Point Media and the \$10 million is on the balance sheet as a liability called Film Acquisition Advance.

## Subsequent Events

On October 7, 2020 BrandStar and CSSE announced a new co-production venture. BrandStar is providing over 500 brand integration partners, significantly expanding the sales capabilities for CSSE. In return, CSSE will distribute BrandStar's content plus a slate of series to be produced in 2021. BrandStar will use its relationships with brands to help Chicken Soup find sponsors of its shows reducing their costs, just like HomeAway sponsored *Vacation Rental Potential* and Chegg sponsored the first season of *Going From Broke*. To kick off the venture, BrandStar will take the second season of *Going From Broke* to the market for sponsorship integrations.

On October 15, 2020 CSSE premiered its original documentary, ***Lennox Lewis: The Untold Story***. It follows the journey of three-time world heavyweight boxing champion, Lennox Lewis. Dr. Dre narrates and there are interviews with Lewis, Mike Tyson, George Foreman, and Evander Holyfield.

On November 9, 2020 the company announced a collaboration with Amagi to distribute linear channels for Crackle, Popcornflix and other channels on multiple FAST (Free Ad-Supported TV) platforms including Plex and VIZIO Watch Free, with more coming soon.

## Q4 or Early 2021 Release



The company has completed film called ***Willy's Wonderland*** starring **Nicolas Cage**. This is a horror movie about a janitor working the night shift at a condemned amusement park. The animatronic characters come to life and, of course, attack. **Kevin Lewis** (*The Drop, Malibu Spring Break*.) is the director and the company is working to have it be released in Q4 or early 2021. See the teaser here: [https://youtu.be/Gfh8\\_X3sH5s](https://youtu.be/Gfh8_X3sH5s)

Source: Chicken Soup for the Soul Entertainment

## 2021 Schedule

### Landmark Studios

Landmark plans to start production on up to five movies or TV series. These include:

**Shadows in the Vineyard** -- partnering with District 33, this will be a new drama series with award-winning actors, Noah Wyle and Judith Light. It is a limited event drama series based on journalist Maximillian Potter's bestselling book *Shadows in the Vineyard: The True Story of the Plot to Poison The World's Greatest Wine*. It is based on the true story of a 2010 plot-by-poison extortion scheme that targeted Romanée-Conti, the most sought-after and expensive wine in the world. Filming is expected to start in Q1 in Europe.

**Flagrant** – TV series, Twenty years after he was caught throwing a game and gambling on his own team, a disgraced college basketball player gets an unlikely shot at redemption. He fled Queens, NY decades ago to get away from the stigma of the scandal, but he's now asked to come home and fill in as coach for a currently-failing team, at the same school he famously sold down the river decades ago. Peter Hoare, and Pete Correale (*The Pete and Sebastian Show, Kevin Can Wait*) will serve as co-writers and show runners.  
Star: [Michael Rapaport](#).

**The Operative** – 10 part series, Spy thriller, Jhon Straw was mysteriously forced to end his career following the Cold War but re-emerges to warn of an upcoming attack on American soil. A young analyst named Emma, sent by the CIA to interview him about his claims, uncovers that Straw is full of stories, some pointing to a decades old conspiracy with ties to the Kremlin. In her search for the truth, Emma and John soon become allies as they work together to try to stop a skilled, cunning, and formidable enemy before it's too late. It is loosely based on Harvey Gombert's book *Code Name Stinger*.  
Star: [Craig T. Nelson](#)

**Safehaven** -- TV series, Thriller, A high school comic book artist must uncover the truth behind horrifying visions coming to life from her drawings. It is a 10-episode, hour-long supernatural thriller series based on James Seale's graphic novel. It is produced by James Seale and directed by Brad Turner. It will begin production in January of 2021.  
Stars: Belle Shouse, Stephen Moyer, and Antonio Cipriano

**Trigger Point** – CSSE has acquired the AVOD rights and is one of the executive producers of this film that is first of a series. It stars Barry Pepper (*The Kennedys, Running with the Devil, Saving Private Ryan, The Green Mile*) and will start production on October 26<sup>th</sup> near Toronto. It is directed by Brad Turner (*24, Designated Survivor, Homeland*). This franchise is centered on lead character, Nicolas Shaw (Pepper), who is a retired U.S. special operative and part of a team that quietly took out some of the worst villains around the world. After being blamed for the exposure, and ultimately the assassination, of several members of his own team Nicolas disappeared into a life of solitude and indignity. Two year later, he is reluctantly drawn back into this dangerous world to prevent the killing of a new generation of noble operatives.

Other upcoming non-scripted and documentary originals include: a four-part *History of Gangster Rap*, *World's Smartest Homes*, and *Sports Confidential*.

### Sony Decision

On November 15<sup>th</sup> time period, Sony was suppose to decide whether to keep 49% of the equity in Crackle Plus or take \$40 million in preferred stock from CSSE. That decision time has been extended one month as the two companies work out ways to collaborate in the future. Our assumption to date has been that Sony will keep the equity. Management has said that the revenue and profit split between CSSE and Sony should result in no minority interest. If it decides not to, CSSE would give Sony preferred amounting to interest payments of approximately \$4 million per year. However, were Sony to go that route, CSSE believes it would take some combination of common and preferred stock instead of just preferred.

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## KEY POINTS

- Convergence Research Group estimates that domestic OTT access revenue rose by 35% in 2019 to \$22 billion, and should rise 29% to \$28.5 billion in 2020, and to \$44.2 billion in 2022. That is a double in three years. CSSE is expected to grow with market growth.
- Chicken Soup for the Soul Entertainment's joint venture with Sony's Crackle OTT channel propelled it over the \$55 million in revenue for 2019. If all goes to plan, the company hopes ultimately to earn 25% EBITDA margins by cutting unprofitable activities such as content production at Crackle, as well as redundancies.
- The company will create original content with little to no risk by creating production companies in which CSSE participates in AVOD rights. To date it had been using a model that locked in profits even before production starts by selling a series to a sponsor that covered production costs. CSSE produced original content and corporate advertisers or foundations fund production of its shows in exchange for either making their product part of the story or promoting an idea they endorse. The Chicken Soup brand and track record assure participants of high quality family friendly content with a positive message.
- With its own distribution through Screen Media, its production ventures for original content, and the scale to be a major player in AVOD, CSSE is now attracting large advertisers and larger content libraries to Crackle. Its business model should allow it to generate high EBITDA and expanding margins.
- Our 2020 revenue estimate is \$68 million. Our valuation for the company is \$37.00 per share, based EV/Sales peer multiples. To a strategic acquirer, the price could be multiples of that.

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## OVERVIEW

Chicken Soup for the Soul Entertainment (CSSE) was founded in 2015 as a company separate from the Chicken Soup for the Soul parent company that focuses on books and pet food. It went public on NASDAQ on July 17, 2017, raising \$30 million. CSSE has a perpetual license to use the Chicken Soup for the Soul brand and its content for use in video. The company produced a variety of television series: Hidden Heroes, Vacation Rental Potential, Being Dad, Chicken Soup for the Soul Animal Tales and Going From Broke (as a Crackle exclusive.) It now has partnerships with major production studios to create even more original content. Screen Media, the company's film and distribution subsidiary, allows the company to distribute its own content saving a 30% distribution fee; it also allows the company to obtain film and television shows on its networks cost effectively. Its joint venture with Sony's Crackle launched the company into the big leagues as an entity in the top two with PlutoTV (now owned by ViacomCBS) in AVOD. The company has eight OTT streaming channels: Crackle, A Plus, Popcornflix, Popcornflix Kids, Popcornflix Comedy, Espanolflix, Frightpix, and Truli, all of which have been moved into the joint venture Crackle Plus.



## VALUATION

Valuing Chicken Soup for the Soup Entertainment can be done a variety of way, by EBITDA, by EV to sales and by acquisition price versus recent transactions. Using EV to Sales of the peer group below, CSSE could be worth **\$37.00 per share** using 2020 estimated sales and trailing 12 months blended.

Company	Ticker	Revenue			TTM EBITDA	Enterprise Value / Sales			EV/ EBITDA	Included Average?	Enterprise Value
		2021E	2020E	LTM		2021E	2020E	LTM			
CuriosityStream	CURI	\$71	\$40	\$35	-\$30	4.8x	8.7x	9.8x	-11.5x	y	344
DISH	DISH	\$14,910	\$14,080	\$14,180	\$3,170	1.9x	2.0x	2.0x	8.9x	y	28,230
fuboTV	FUBO	\$426	\$239	\$111	-\$123	3.7x	6.5x	14.0x	NA	y	1,560
Gaia	GAIA	\$80	\$66	\$63	\$4	2.7x	3.3x	3.5x	53.3x	y	218
Netflix	NFLX	\$29,440	\$24,950	\$23,820	\$4,200	7.5x	8.8x	9.3x	52.5x	y	220,400
Roku	ROKU	\$2,380	\$1,730	\$1,540	-\$54	12.0x	16.5x	18.6x	-532.4x	y	28,600
WWE	WWE	\$1,110	\$982	\$1,060	\$309	3.0x	3.4x	3.1x	10.8x	y	3,330
<b>Average</b>					<b>1,250</b>	<b>4.7</b>	<b>6.2</b>	<b>7.8</b>	<b>-76.7</b>		<b>47,020</b>

Chicken Soup	Revenue		TTM EBITDA	Enterprise Value / Sales		Valuation Range	
	2020E	LTM		2020E	LTM	Low	High
	\$68	\$71	4.0	6.2x	7.8x	\$421	\$552

Conclusion of Enterprise Value	<b>\$486,974,417</b>
Market Value	<b>\$473,411,344</b>
Diluted Shares Outstanding	12,670,884
Price per Share	<b>\$37.36</b>

CSSE may be of more value to a large player in the content business as it takes considerable time to build an AVOD business. Not only does a service need access to content, it needs an ad business that an SVOD would not have. So time to market is an issue for the build versus buy decision.

### M&A Transactions

Sony is in negotiations to acquire Crunchyroll, an anime-streaming service, from AT&T for more 100 billion yen (\$957 million.) Crunchyroll was founded in 2006 in San Francisco and has 70 million free members and 3 million paying subscribers in more than 200 countries in North America and Europe. Crunchyroll is an AVOD that can be purchased ad-free for \$7.99 a month.

CuriosityStream (NASDAQ: CURI) just went public through a SPAC (Software Acquisition Group) and now trades an enterprise value of \$344 million. In 2019 it generated \$18 million in revenues and expects \$39.5 million in 2020 and \$71 million in 2021. In its third quarter it generated \$8.7 million in sales giving it a \$34.8 million run rate. In its September quarter it has negative EBITDA of \$6.7 million.

In July, NBCUniversal's Fandango division bought Vudu, which primarily a pay-per-view business with an AVOD component as well as Xumo a pure AVOD. Vudu was owned by Wal-Mart, which purchased it in 2010 for \$100 million.

In June, Fox bought TubiTV for \$440 million in cash. In December TubiTV reported it had 25 million monthly active users. Tubi is available on about 25 digital platforms in the U.S. and features 20,000 titles and 56,00 hours of film and television episodes. If Tubi's revenues are under a \$64 million run rate, that would be over **7.8 times sales**.

On April 1, 2020, Facebook Group merged with FuboTV, the sports focused streaming channel. The name was changed to FuboTV and the ticker to FUBO. Pro forma FuboTV generated \$151 million in revenues in 2019.

On July 30 2018, AMC bought RLJ Entertainment for an enterprise value of \$274 million or **3xs trailing twelve-month revenues** or 21.6 times its \$12.7 million in trailing adjusted EBITDA. RLJ Entertainment's SVOD Acorn TV and UMC (Urban Movie Channel) have over 820,000 subscribers, and in the June quarter subscribers were up 49% from a year ago. Revenues in the quarter were \$9.4 million from the streaming business.

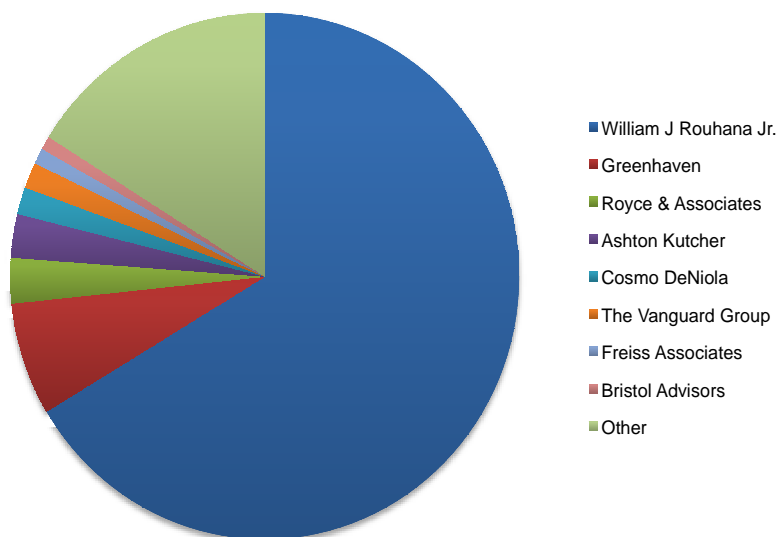
Last January, Viacom (now ViacomCBS) purchased PlutoTV, an AVOD, for \$340 million. PlutoTV is rumored to have generated \$160 million in sales in 2018 and exited December at \$200 million run rate. This would be approximately two times trailing 12-month sales or 1.7 times the run rate. Crackle Plus generated \$93 million in revenues last year pro forma. Pluto TV announced that it had 20 million active users in October 2019 up from 12 million subscribers in January 2019 when Viacom purchased it.

Hasbro bought Entertainment One, the Canadian indie studio for \$4 billion in cash. In the year ending March 31, 2019, the company reported revenues of \$1.2 billion. This purchase price is **3.3 times** those revenues.

## RISKS

- CSSE has transformed the formerly money losing Crackle into a growing cash flow positive entity. However, its acquisition of the Crackle Plus joint venture may not play out as expected and may ultimately require capital investment to grow.
- The company now has a number of production ventures structured to limit its downside that are new and may not be successful.
- The ownership structure gives common shareholders little say in the governance of the company. CEO Bill Rouhana controls most the total voting power through ownership of class B common stock, with each class B share entitled to 10 votes.
- The stock has very low float making it difficult to accumulate or sell stock.
- Advertising spending has come way down due to the shut down of businesses from the pandemic. It is impossible to tell when spending will return to normal making it difficult to forecast revenues for Crackle+. It very difficult to know the effect or duration of its effect on CSSE.

## OWNERSHIP



Shares showed for Ashton Kutcher are based on the A+ transactions shares only. He may additional stock in CSSE or have sold the position, but that amount is not public information.

# INCOME STATEMENT

Chicken Soup for the Soul Entertainment	Q1 2019 31-Mar	Q2 2019 30-Jun	Q3 2019 30-Sep	Q4 2019 31-Dec	Q1 2020 31-Mar	Q2 2020 30-Jun	Q3 2020 30-Sep	Q4 2020E 31-Dec	2018	2019	2020E	2021E
<b>Television &amp; Film Distribution</b>	1.8	2.2	2.7	9.9	5.1	8.5	13.3	11.0	13.2	16.0	37.9	52.4
Yr-to-yr Growth	-45%	8%	6%	84%	184%	113%	400%	11%	349%	21%	138%	38%
<b>Online Networks</b>	0.7	10.0	14.4	14.9	9.0	5.4	6.7	11.0	4.4	40.0	32.0	44.0
Yr-to-yr Growth	16.5%	1281%	704%	1254%	1128%	-46%	-54%	-26%	454%	807%	-20%	37%
<b>Total revenue</b>	2.5	12.2	17.0	24.8	14.1	13.9	20.0	22.0	27.8	56.6	70.0	96.4
Less returns and allowances	(0.3)	(0.2)	(0.3)	(0.4)	(0.9)	(0.4)	(0.6)	(0.3)	(0.9)	(1.2)	(2.2)	(1.4)
<b>Net Revenue</b>	2.2	12.0	16.8	24.4	13.2	13.5	19.4	21.7	26.9	55.4	67.8	95.0
Yr-to-yr Growth	-58%	299%	159%	106%	504%	13%	15%	-11%	153%	104%	22%	40%
Cost of revenue without	0.8	6.7	12.2	10.0	7.5	6.5	6.9	8.7	5.9	29.7	29.6	37.8
Gross Margin w/o amortization	1.4	5.5	4.8	14.4	5.8	7.0	12.5	13.0	21.0	25.6	40.4	58.6
Gross Margin %	56.7%	44.9%	28.2%	58.0%	43.6%	51.7%	64.6%	59.9%	75.6%	45.3%	57.8%	66.0%
Amortization of film library	0.9	1.6	1.4	6.9	2.4	6.4	8.0	5.5	6.5	10.7	22.3	13.0
Total cost of revenue	1.6	8.3	13.6	16.9	9.9	12.9	14.8	14.2	12.3	40.4	51.9	50.8
Gross profit	0.6	3.6	3.2	7.6	3.3	0.6	4.5	7.5	14.5	14.9	15.9	44.2
Gross Margin %	22.2%	29.9%	18.6%	30.4%	23.6%	4.2%	22.6%	34.0%	52.3%	26.4%	22.7%	45.9%
<b>Operating expenses:</b>												
SG&A (Ex-stock based comp)	2.6	4.4	6.1	8.1	6.6	6.8	9.0	7.8	9.8	21.2	30.2	33.0
Stock-based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	1.0	1.1	1.2	1.2
Amortization	0.2	0.7	4.7	7.7	5.2	5.2	4.6	2.0	0.3	13.3	17.0	6.0
Management and license fees due to affiliate	0.2	1.2	1.7	2.4	1.3	1.4	1.9	2.2	2.7	5.5	6.8	9.6
Total operating expenses	3.2	6.6	12.7	18.5	13.4	13.6	15.8	12.3	13.7	41.1	55.1	49.8
Operating income:	(2.7)	(3.0)	(9.6)	(10.900)	(10.0)	(13.1)	(11.3)	(4.8)	0.8	(26.1)	(39.2)	(5.6)
Operating margin	-106.4%	-24.4%	-56.1%	-43.9%	-71.1%	-94.0%	-56.6%	-22.0%	2.8%	-46.2%	50%	-6%
<b>Other income:</b>												
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.7)	(0.7)	(0.4)	(0.8)	(2.0)	(3.0)
Loss on extinguishment of debt	0.0	0.0	(0.4)	-	0.0	0.0	(0.2)	0.0	0.0	(0.4)	-0.2	0.0
Acquisition related costs	(0.4)	(2.3)	(1.1)	(0.2)	(0.1)	0.0	0.0	0.0	(0.4)	(4.0)	(0.1)	0.0
Goodwill impairment expense	0.0	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	-	-	0.0	4.3	0.0	0.0	0.0	0.0	4.4	0.0
Total other income	(0.5)	(2.4)	(1.6)	(0.6)	(0.4)	4.0	(0.8)	(0.7)	(0.7)	(5.1)	2.1	(3.0)
Income before income taxes	(3.2)	(5.4)	(11.2)	(11.5)	(10.5)	(9.1)	(12.1)	(5.5)	0.0	(31.2)	(37.1)	(8.6)
Pretax Margin	-127.2%	-44.0%	-65.6%	-46.1%	-74.1%	-65.2%	-60.5%	-25.2%	0.1%	-55.2%	-53.0%	-8.9%
Income taxes	(0.4)	(0.3)	1.2	0.028	0.0	0.0	0.0	0.0	0.9	0.6	0.1	0.1
Tax rate	14%	5%	-11%	0%	0%	0%	0%	0%	3011%	-2%	0%	-1%
Profit before non-controlling	(2.8)	(5.1)	(12.4)	(11.5)	(10.5)	(9.1)	(12.1)	(5.6)	(0.8)	(31.8)	(37.2)	(8.7)
Minority income	0.0	0.00	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	-	(0.1)	(0.2)	0.0
Net income	(2.8)	(5.1)	(12.4)	(11.4)	(10.5)	(9.0)	(12.0)	(5.5)	(0.8)	(31.7)	(37.5)	(8.7)
Yr-over-Yr	213%	264%	-3915%	-1091%	277%	76%	-3%	-52%	-104%	3648%	18%	-77%
Preferred dividend	0.6	0.8	0.9	1.0	1.0	1.0	1.0	1.4	1.1	3.3	4.4	5.6
Net inc to common shareholders	(3.4)	(5.9)	(13.3)	(12.4)	(11.4)	(10.0)	(13.0)	(6.9)	(2.0)	(35.0)	(41.9)	(14.3)
Stk based compensation	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	1.0	1.1	1.2	1.2
One-time expenses	0.4	3.5	1.1	0.6	2.2	(2.1)	(0.2)	0.0	1.3	8.1	(0.0)	-
Non-GAAP Income	(2.8)	(2.2)	(11.9)	(11.5)	(9.0)	(11.9)	(12.9)	(6.5)	0.3	(25.8)	(40.7)	(13.1)
Yr-over-Yr	309%	87%	32031%	-633%	225%	444%	8%	-43%	-88%	-10332%	58%	-68%
<b>Net income per share:</b>												
<b>Primary EPS</b>	(0.28)	(0.49)	(1.11)	(1.02)	(0.95)	(0.83)	(1.04)	(0.54)	(0.16)	(2.92)	(3.47)	(1.14)
Non-GAAP EPS	(0.23)	(0.18)	(1.00)	(0.95)	(0.75)	(0.99)	(1.02)	(0.52)	0.02	(2.05)	(3.22)	(0.99)
<b>Shares</b>												
Basic	12.0	12.0	12.0	12.1	12.0	12.0	12.6	12.7	12.0	12.0	12.1	12.6
Yr-over-Yr	27.1%	22.2%	3.6%	3.3%	0%	0%	5%	5%	19.2%	0%	1%	4%
Diluted	12.1	14.8	12.6	12.6	12.6	12.6	13.2	13.2	12.0	12.6	12.6	13.2
Yr-over-Yr	4.1%	24.9%	6.3%	6.0%	4%	-15%	5%	5%	17.3%	5%	1%	4%
<b>GAAP Adjusted EBITDA</b>	(0.940)	1.277	(0.372)	5.816	2.0	2.7	4.2	3.9	10.0	6.0	12.4	18.3
EBITDA Margin	-37.2%	10.5%	-2.2%	23.4%	14.4%	19.4%	21.1%	17.9%	36.1%	11%	18%	19%



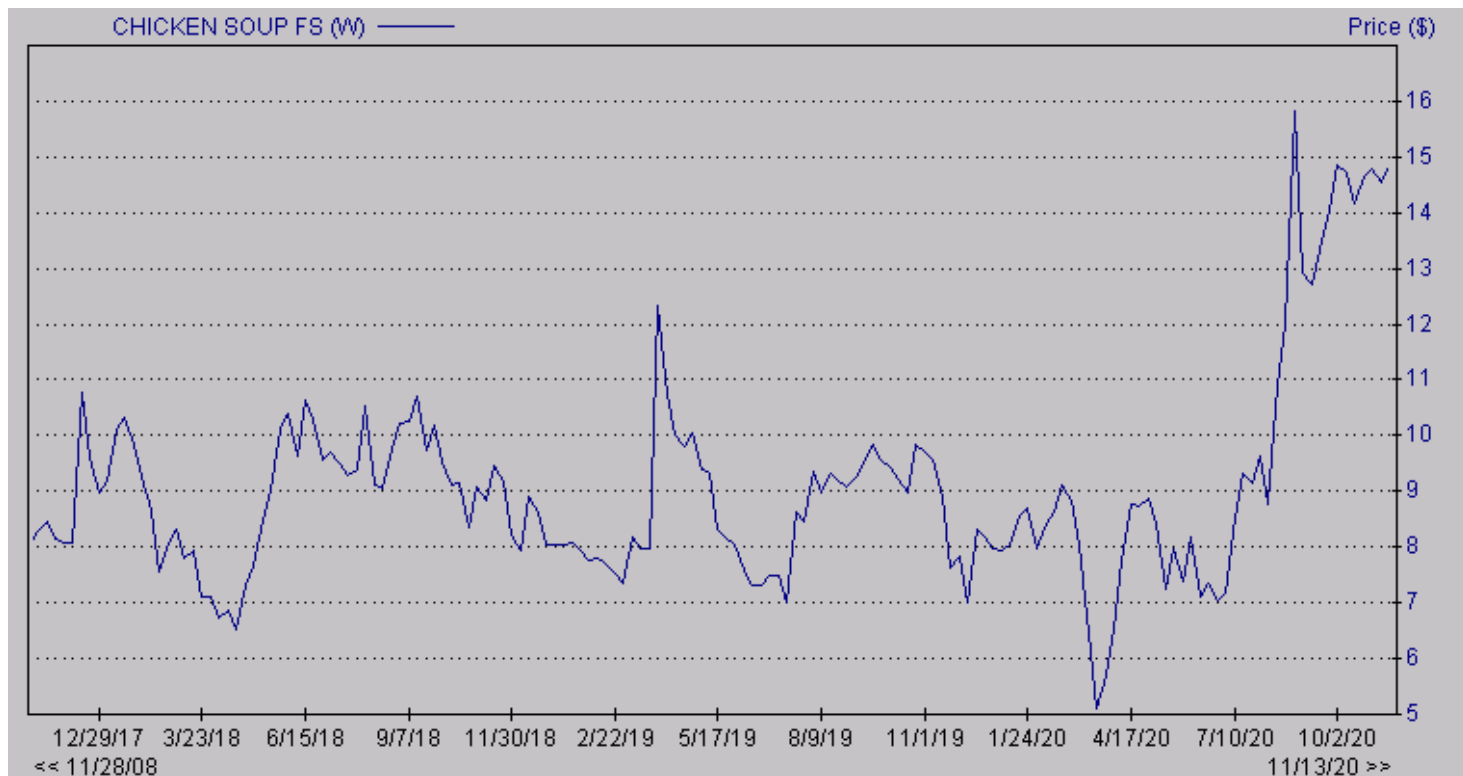
## BALANCE SHEET

	Sept 30, 2020	June 30, 2020	Qtr-Qtr % Change	Sept 30, 2019	Yr-Yr % Change
<b>Assets</b>					
Cash and cash equivalents	\$9,243,315	\$4,655,317	98.6%	\$6,194,964	49.2%
Accounts receivable, net	24,772,024	22,573,432	9.7%	27,731,931	-10.7%
Prepaid expenses	2,985,503	1,485,557	101.0%	1,117,969	167.0%
Inventory, net	0	0	0.0%	291,917	-100.0%
Goodwill	21,448,106	21,448,106	0.0%	17,466,681	22.8%
Indefinite lived intangible assets	12,163,943	12,163,943	0.0%	12,163,943	0.0%
Intangible assets, net	20,575,942	25,093,057	-18.0%	47,081,028	-56.3%
Intangible asset - video content license	0	0	0.0%	5,000,000	-100.0%
Film library, net	36,878,196	41,105,470	-10.3%	31,997,384	15.3%
Due from affiliated companies	6,081,324	4,996,754	21.7%	7,010,065	-13.2%
Programming costs, net	20,702,405	16,418,308	26.1%	13,961,506	48.3%
Programming rights	0	0	0.0%	826,567	-100.0%
Other assets, net	4,794,239	5,303,550	-9.6%	316,878	1413.0%
<b>Total assets</b>	<b>159,644,997</b>	<b>155,243,494</b>	<b>2.8%</b>	<b>171,160,833</b>	<b>-6.7%</b>
<b>Liabilities</b>					
<b>Current maturities of commercial loan</b>	<b>0</b>	<b>3,200,000</b>	<b>-100.0%</b>	<b>3,200,000</b>	<b>-100.0%</b>
<b>Commercial loan &amp; revolving LOC, net</b>	<b>21,040,599</b>	<b>10,230,781</b>	<b>105.7%</b>	<b>12,611,197</b>	<b>66.8%</b>
<b>Note payable under revolving credit facility</b>	<b>2,500,000</b>	<b>5,000,000</b>	<b>-50.0%</b>	<b>0</b>	<b>NM</b>
Film acquisition advance	10,210,000	0		0	NM
Accounts payable and accrued expenses	25,923,748	30,041,385	-13.7%	19,792,234	31.0%
Ad representation fees payable	3,021,520	8,511,033	-64.5%	8,421,104	-64.1%
Film library acquisition obligations	10,609,186	8,335,600	27.3%	5,735,100	85.0%
Programming obligations	6,416,012	6,416,012	0.0%	6,005,154	6.8%
Accrued participation costs	12,894,099	12,064,073	6.9%	1,308,575	885.4%
Other liabilities	1,777,548	1,484,050	19.8%	5,142,105	-65.4%
<b>Total liabilities</b>	<b>94,392,712</b>	<b>85,282,934</b>	<b>10.7%</b>	<b>62,215,469</b>	<b>51.7%</b>
<b>Stockholder's equity</b>					
Preferred stock	173	160	8.1%	160	8.1%
Class A Common stock	492	426	15.5%	425	15.8%
Class B Common stock	782	782	0.0%	782	0.0%
Additional paid-in capital	96,498,618	88,084,137	9.6%	88,077,143	9.6%
Retained earnings	(67,182,836)	(54,133,136)	24.1%	(20,335,402)	230.4%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	(632,729)	0.0%
<b>Total stockholders' equity</b>	<b>28,684,500</b>	<b>33,319,640</b>	<b>-13.9%</b>	<b>103,460,379</b>	<b>-72.3%</b>
Subsidiary convertible preferred stock	36,350,000	36,350,000	0.0%	0	NM
Noncontrolling interests	217,785	290,920	-25.1%	484,985	-55.1%
<b>Total equity</b>	<b>65,252,285</b>	<b>69,960,560</b>	<b>-6.7%</b>	<b>103,945,364</b>	<b>-37.2%</b>
<b>Total liabilities and stockholders' equity</b>	<b>159,644,997</b>	<b>155,243,494</b>	<b>2.8%</b>	<b>165,675,848</b>	<b>-3.6%</b>
Cash and cash equivalents	9,243,315	4,655,317	98.6%	6,194,964	49.2%
Cash as % of assets	6%	3%	93.1%	4%	60.0%
Cash per share	\$0.73	\$0.39	88.5%	\$0.52	41.5%
Debt	\$21,040,599	\$18,430,781	14.2%	\$15,811,197	33.1%
Debt % of assets	13%	7%	100.0%	9%	42.7%

# CASH FLOW

	Year 2018	3 Mo Ended Mar 31, 2019	3 Mo Ended Jun 30, 2019	3 Mo Ended Sep 30, 2019	3 Mo Ended Dec 31, 2019	Year 2019	3 Mo Ended Mar 31, 2020	3 Mo Ended Jun 30, 2020	3 Mo Ended Sep 30, 2020
<b>Cash flows from operating activities:</b>									
Net income	(844,972)	(2,773,430)	(5,117,583)	(12,431,861)	(11,483,277)	(31,806,151)	(10,505,962)	(9,079,744)	(12,105,144)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>									
Share-based compensation	953,688	215,847	275,097	303,205	267,777	1,061,926	244,835	229,273	346,773
Amortization of programming costs	2,752,446	61,798	208,173	181,079	259,639	710,689	110,629	54,764	51,093
Amortization of deferred financing costs	57,161	25,823	25,824	20,416	10,337	82,400	10,152	10,154	45,599
Amortization of debt discount	-	-	-	-	-	-	-	-	-
Amortization of fixed assets & acq intangibles	326,986	205,623	729,991	4,695,522	7,662,143	13,293,279	5,204,728	5,496,972	4,960,074
Amortization of film library	6,459,431	871,126	1,389,735	1,214,610	6,706,695	10,182,166	2,441,081	6,359,392	7,981,212
Amortization of acquired assets	-	-	-	-	-	-	-	-	-
Bad debt expense & video return expense	1,222,032	300,403	218,112	722,728	1,428,456	2,669,699	1,721,595	812,741	1,538,449
Relaized & unrealized losses on mkt securities	-	-	-	-	-	-	-	100,607	83,208
Other non-operating income	-	-	-	-	-	-	-	(5,404,482)	(126,168)
Loss on debt extinguishment	-	-	-	350,691	-	350,691	-	-	169,219
Deferred income taxes	373,000	(465,000)	(336,000)	1,253,000	-	452,000	-	-	-
<b>Change in operating assets and liabilities:</b>									
Trade accounts receivable	(5,989,864)	2,235,012	(9,635,183)	(8,731,904)	(8,357,644)	(24,489,719)	7,921,601	1,631,750	(3,737,041)
Prepaid expenses and other current assets	38,546	(135,279)	(1,101,092)	333,010	245,583	(657,778)	(21,984)	(1,070,937)	(1,598,878)
Inventory	106,896	(24,533)	12,978	(18,294)	(20,116)	(49,965)	(26,899)	26,899	-
Programming costs and rights	(8,267,551)	(147,605)	(1,347,281)	(127,181)	(529,602)	(2,151,669)	(1,144,463)	(325,664)	(4,335,190)
Film library	(9,142,288)	(2,819,734)	(5,282,034)	(2,032,585)	(7,959,460)	(18,093,813)	(6,553,534)	(10,102,260)	(3,753,938)
Other assets	95,269	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	3,366,143	(1,218,678)	15,483,287	3,533,202	6,368,167	24,165,978	(207,552)	488,224	(7,280,982)
Film library acquisition obligations	2,052,200	273,250	2,564,250	182,000	(714,500)	2,305,000	1,888,500	541,651	3,663,586
Accrued participation costs	(1,081,278)	(32,015)	(392,967)	194,418	3,757,937	3,527,373	794,876	6,202,685	830,026
Other liabilities	269,974	(350,400)	83,001	(5,002)	28,001	(244,400)	59,740	1,254,204	293,498
Deferred revenues	(508,531)	6,469	(12,938)	-	-	(6,469)	-	-	-
Net cash used by operating activities	(7,760,712)	(3,771,323)	(2,234,630)	(10,362,946)	(2,329,864)	(18,698,763)	1,937,343	(2,773,771)	(12,974,604)
<b>Cash flows from Investing activities:</b>									
Expenditures for property and equipment	-	-	-	-	-	-	(340,586)	(46,800)	(2,423,839)
Sale of marketable securities	-	-	-	-	-	-	-	-	305,915
Business acquisition, net	190,587	-	-	-	-	-	-	-	-
Increase in due from affiliated companies	(4,340,458)	(1,985,500)	(1,912,987)	(1,898,142)	(632,367)	(6,428,996)	851,452	1,794,226	(1,084,570)
Net cash used in investing activities	(4,149,871)	(1,985,500)	(1,912,987)	(1,898,142)	(632,367)	(6,428,996)	510,866	2,082,021	(3,202,494)
<b>Cash flows from Financing activities:</b>									
Proceeds from revolving credit facility	200,000	-	-	-	-	-	-	-	-
Repayments of revolving credit facility, related	(1,700,000)	-	(500,000)	500,000	-	-	-	-	-
Proceeds from commercial loan	-	-	-	8,665,000	-	8,665,000	-	-	-
Repayments of commercial loan	(583,334)	(260,358)	260,358	(666,667)	(800,000)	(1,466,667)	(800,000)	(800,000)	(13,600,000)
Proceeds from revolving credit facility	-	-	-	-	5,000,000	5,000,000	-	-	(2,500,000)
Proceeds from 9.5% notes due 2025, net	-	-	-	-	-	-	-	-	20,995,000
Proceeds from film acquisition advance	-	-	-	-	-	-	-	-	8,820,000
Payment of stock issuance cost	(1,956,393)	(288,160)	(538,295)	(663,251)	-	(1,489,706)	-	-	-
Procds from issuance of Class A common	-	-	-	-	-	-	-	-	5,000,000
Proceeds from issue of common under equity plans	-	-	160,161	-	-	160,161	-	-	75,000
Payment of deferred financing costs	(391,714)	-	(12,348)	(179,656)	(11,059)	(203,063)	-	-	-
Proceeds from Series A preferred stock	19,612,438	3,500,000	6,987,625	6,525,000	-	17,012,625	-	-	2,992,787
Common stock repurchases in treasury	(632,729)	-	-	-	-	-	-	-	-
Dividends paid to common stockholders	(5,182,549)	-	-	-	-	-	-	-	-
Dividends paid to preferred stockholders	(926,363)	(603,307)	(797,981)	(929,387)	(974,272)	(3,304,947)	(974,272)	(974,272)	(1,017,691)
Proceeds from notes payable	8,500,000	-	-	-	-	-	-	-	-
<b>Net cash provided by financing activities</b>	16,939,356	2,348,175	5,559,520	13,251,039	4,014,669	24,373,403	(1,774,272)	(1,774,272)	20,765,096
Net change - cash	5,028,773	(3,408,648)	1,411,903	989,951	1,052,438	(754,356)	673,937	(2,466,022)	4,587,998
Cash, beginning of quarter	2,172,985	7,201,758	3,793,110	5,205,013	6,194,964	7,201,758	6,447,402	7,121,339	4,655,317
Cash, end of period	7,201,758	3,793,110	5,205,013	6,194,964	7,247,402	6,447,402	7,121,339	4,655,317	9,243,315
<b>Supplemental information:</b>									
Interest paid	267,064	117,453	120,739	256,142	228,680	605,561	217,222	226,359	751,566
<b>Cash Flow</b>	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)	4,851,770	(3,003,301)	(772,942)	(1,420,323)	2,944,315
<b>Free cash flow</b>	11,299,772	(1,557,810)	(2,606,651)	(3,690,610)	4,851,770	(3,003,301)	(1,113,528)	(1,467,123)	520,476

## HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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