

November 15, 2018



Edison Nation, Inc. Provides Third Quarter 2018 Corporate Update and Financial Results

Q3 2018 Revenues Increase 56% to \$4.9 Million; Gross Profit Increases 26% to \$1.3 Million

PHILLIPSBURG, N.J., Nov. 15, 2018 (GLOBE NEWSWIRE) -- Edison Nation, Inc. (the "Company" or "Edison Nation"), a full-service product development company, today provided a corporate update and reported its financial results for the third quarter ended September 30, 2018.

Recent Operational Highlights:

- Acquired the Company's strategic partner, Edison Nation LLC, the leader in crowdsourced innovation, which enables the Company to fully leverage its established operating infrastructure to form a true full-service product development platform.
- Changed the Company's corporate name to Edison Nation, Inc. In conjunction with the name change, the Company's ticker symbol changed from "XSPL" to "EDNT" on the Nasdaq.
- Acquired [Cloud b, Inc.](#), the world's leading manufacturer of products and accessories that help parents and children sleep better, whose products are distributed in over 100 countries worldwide. As a private company, the unaudited estimate for revenue from Cloud b in 2017 was approximately \$8.0 million for 2017 with a gross margin of 45%. The acquisition is expected to be immediately accretive to Edison Nation.
- Launched the Company's first micro-brand crowdfunding campaign on Kickstarter, the [MasterSous: The 8-in-1 Smart Cooker](#). To-date, the Kickstarter campaign has exceeded the initial pledged goal by more than 300%.
- Engaged with Church and Dwight, BLACK + DECKER and Worthington Industries to launch innovative searches in product categories of each company's respective area of interest, aggregating relevant submissions through the Company's Edison Nation platform.
- Launched a new Crowdfunding tool by which the Company will cover development and crowdfunding campaign-related costs for select, high-potential ideas, allowing products to reach the market at lightening-speed to maximize sales and reduce total R&D costs.

Management Commentary

“The momentum we established in the first half of the year has continued, highlighted by our revenue growth of 56% to a record \$4.9 million in the third quarter of 2018,” said Chris Ferguson, Chief Executive Officer of Edison Nation. “In addition to this growth, we’ve made significant strides to accelerate growth moving forward, most notably with our successful acquisition of our strategic partner, Edison Nation, LLC, the leader in crowdsourced innovation, which will enable us to fully leverage our established operating infrastructure to form a true full-service product development platform. This acquisition will serve as our engine for product innovation and provide a strong pipeline of micro-brand opportunities for us to leverage, as we are able identify proprietary products through idea submission, find the ‘best of the best’, and launch them into the market quickly. We will do this either through licensing agreements with our established base of relationships, or via our newly announced crowdfunding strategy—a de-risked business model that allows us to generate initial sales on platforms such as Kickstarter and Indiegogo before expanding to online retailers such as Amazon, among others.

“Supporting this vision is our first crowdfunding campaign launched as a combined entity on Kickstarter, the MasterSous, an 8-in-1 Smart Cooker. We are already extremely pleased with the robust interest in this product, which has already exceeded our pledged goal by more than 300%. During the quarter, we also announced our accretive acquisition of Cloud b, Inc., the world’s leading manufacturer of products and accessories that help parents and children sleep better. With products distributed in over 100 countries worldwide, we have the unique ability to integrate our proprietary product development expertise to manufacture and market Cloud b’s existing products, while also helping to develop exciting new product lines. Their team of professionals and superior products will add a key element to our growth strategy, while expanding our footprint on the West coast by leveraging Cloud b’s significant distribution, sales and fulfillment operations.”

Ferguson, concluded: “Our efforts to become a leading vertically integrated innovation aggregation and full-service product development and manufacturing company is unfolding quickly. As we move through the remainder of 2018 and into the new year, we look forward to continuing our operational and financial execution, which we are confident will drive shareholder value over the long-term.”

Third Quarter 2018 Financial Results

Revenue in the third quarter of 2018 increased 56% to \$4.9 million, compared to \$3.2 million in the third quarter of 2017. The increase in revenues was primarily due to the addition of new products and customers in the consumer products segment, as well as increased demand from customers in the packaging materials business.

Gross profit increased 26% to \$1.3 million in the third quarter of 2018, compared to \$1.0 million in the third quarter of 2017. Gross profit margin as a percentage of revenue was 26.4% in the third quarter of 2018, compared to 32.5% in the third quarter of 2017. The decrease in gross profit margin as a percentage of revenues was primarily due to unfavorable product mix in the packaging materials business, as well as increased tariffs and lower margin product sales.

Operating expenses were \$2.1 million in the third quarter of 2018, compared to \$0.8 million in the third quarter of 2017. The increase was primarily attributable to the increase in total segment and consolidated revenues.

Net loss totaled \$1.7 million, or (\$0.37) per basic and diluted share in the third quarter of 2018, compared to net income of \$0.3 million, or \$0.11 per basic and diluted share in the third quarter of 2017.

Adjusted EBITDA, a non-GAAP measure, totaled \$37,000 in the third quarter of 2018, compared to \$0.3 million in the third quarter of 2017. See below under the heading, "Use of Non-GAAP Financial Information" for a discussion of Adjusted EBITDA and a reconciliation of such measure to the most comparable measure calculated under U.S. generally accepted accounting principles ("GAAP").

Cash and cash equivalents at September 30, 2018 totaled \$2.1 million, as compared to \$3.9 million at June 30, 2018. The Company believes it currently has sufficient funds to meet its working capital, debt service and capital expenditure requirements for at least the next 12 months.

Further details about Edison Nation's results in the third quarter of 2018 are available in its Quarterly Report on Form 10-Q, accessible in the investor relations section of the Company's website at www.edisonnation.com and through the U.S. Securities and Exchange Commission's website.

Edison Nation's Crowdfunding Approach

Edison Nation's Crowdfunding tool was introduced to drive higher success potential for ideas to be commercialized. Investors submit their ideas through the Edison Nation platform (located on its website www.edisonnation.com), and for all ideas chosen from the Crowdfunding search, Edison Nation will handle the costs to develop the products and run their respective crowdfunding campaigns. Successful campaigns will provide a stronger position for products to be commercialized, either directly by Edison Nation, or through traditional licensing agreements.

Edison Nation's proprietary platform ensures privacy of intellectual property and streamlines communication and negotiations with innovators. For over 10 years, Edison Nation has been and continues to be the trusted destination for innovators, partners and consumers alike and the trusted leader for quality innovation.

About Edison Nation, Inc.

Edison Nation, Inc. (NASDAQ: EDNT) is a vertically integrated innovation aggregation and full-service product development and manufacturing company, offering innovation sourcing, design, sales, fulfillment and shipping services. Edison Nation's model is to provide a risk mitigated platform that connects innovators with companies to bring new products to market. For more information, please visit www.edisonnation.com.

Use of Non-GAAP Financial Information

EBITDA and Adjusted EBITDA is a financial measure that is not calculated in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management believes that because Adjusted EBITDA excludes (i) certain non-cash expenses (such as depreciation, amortization and stock-based compensation) and (ii) expenses that are not reflective of the Company's core operating results over time (such as restructuring costs, litigation or dispute settlement charges or gains, and transaction-related costs), this measure provides investors with additional useful information to measure the Company's financial performance, particularly with respect to changes in performance from

period to period. Edison Nation management uses EBITDA and Adjusted EBITDA (a) as a measure of operating performance; (b) for planning and forecasting in future periods; and (c) in communications with the Company's Board of Directors concerning Edison Nation's financial performance. The Company's presentation of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation and should not be used by investors as a substitute or alternative to net income or any measure of financial performance calculated and presented in accordance with U.S. GAAP. Instead, management believes EBITDA and Adjusted EBITDA should be used to supplement the Company's financial measures derived in accordance with U.S. GAAP to provide a more complete understanding of the trends affecting the business.

Forward Looking Statements

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding strategy, future operations and plans, including assumptions underlying such statements, are forward-looking statements, and should not be relied upon as representing Edison Nation's views as of any subsequent date. Examples of such statements include statements regarding the strength of the Company's operations and financial position for 2018, anticipated cash resources for continued operations, sales of Edison Nation's products, enhancement of the Company's marketing efforts, the impact of the Company's portfolio development strategy, planned regulatory submissions and potential approvals, anticipated product launches, the potential benefits of the Company's products, the Company's efforts with respect to marketing in U.S. and international markets, and results of potential third-party collaborations. Such forward-looking statements are based on information available to Edison Nation as of the date of this release and involve a number of risks and uncertainties, some beyond the Company's control, that could cause actual results to differ materially from those anticipated by these forward-looking statements, including consumer, regulatory and other factors affecting demand for the Company's products, any difficulty in marketing the Company's products in global markets, competition in the market for consumer products, any inability to raise capital to fund operations and service the Company's debt. Additional information that could lead to material changes in the Company's performance is contained in its filings with the SEC. Edison Nation is under no obligation to, and expressly disclaims any responsibility to, update or alter forward-looking statements contained in this release, whether as a result of new information, future events or otherwise.

Investor Relations:

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	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,061,039	\$ 557,268
Accounts receivable, net	2,832,513	1,430,236
Inventory	200,087	240,061
Prepaid expenses and other current assets	1,114,924	41,461
Loan held for investment	500,000	-
Due from related party	1,307,247	834,897
Total current assets	<u>8,015,810</u>	<u>3,103,923</u>
Property and equipment, net	969,671	966,904
Goodwill	12,785,855	-
Patents	53,822	-
Total assets	<u><u>\$ 21,825,158</u></u>	<u><u>\$ 4,070,827</u></u>
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 1,323,402	\$ 1,135,039
Accrued expenses and other current liabilities	935,946	137,709
Current portion of notes payable related parties	285,015	225,553
Total current liabilities	<u>2,544,363</u>	<u>1,498,301</u>
Notes payable - related parties, non-current – net of debt discount	3,520,867	2,770,947
Notes payable	73,559	-
Derivative liability – put option contract	7,415,100	-
Deferred tax liability	34,209	34,209
Total liabilities	<u><u>\$ 13,588,098</u></u>	<u><u>\$ 4,303,457</u></u>
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit)		
Common stock, \$0.001 par value, 250,000,000 shares authorized; 5,040,004 and 3,000,000 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	\$ 5,040	\$ 3,000
Additional paid-in capital	12,450,922	-
Accumulated deficit	(4,218,902)	(235,630)
Total stockholders' equity (deficit)	<u>8,237,060</u>	<u>(232,630)</u>
Total liabilities and stockholders' equity (deficit)	<u><u>\$ 21,825,158</u></u>	<u><u>\$ 4,070,827</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edison Nation, Inc. (formerly known as Xspand Products Lab, Inc.) and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30,		For the Nine months Ended September 30,	
	2018	2017	2018	2017
Revenues, net	\$ 4,940,188	\$ 3,174,722	\$ 12,758,715	\$ 11,571,468
Cost of revenues	3,637,000	2,142,947	9,090,215	8,226,062
Gross profit	<u>1,303,188</u>	<u>1,031,775</u>	<u>3,668,500</u>	<u>3,345,406</u>
Operating expenses:				
Selling, general and administrative	2,065,655	770,109	6,276,830	1,933,152
Operating (loss) income	<u>(762,467)</u>	<u>261,666</u>	<u>(2,608,330)</u>	<u>1,412,254</u>
Other (expense) income:				
Rental income	25,704	25,704	77,111	77,111
Change in fair value of put option contract	(732,600)	-	(732,600)	-
Interest (expense) income	(42,130)	1,228	(407,267)	3,671
Total other (expense) income	<u>(749,026)</u>	<u>26,932</u>	<u>(1,062,756)</u>	<u>80,782</u>
(Loss) income before income taxes	<u>(1,511,493)</u>	<u>288,598</u>	<u>(3,671,086)</u>	<u>1,493,036</u>
Income tax expense (benefit)	167,813	(26,570)	312,186	64,655
Net (loss) income	<u>\$ (1,679,306)</u>	<u>\$ 315,168</u>	<u>\$ (3,983,272)</u>	<u>\$ 1,428,381</u>
Net (loss) income per share - basic and diluted	<u>\$ (0.37)</u>	<u>\$ 0.11</u>	<u>\$ (1.11)</u>	<u>\$ 0.48</u>
Weighted average number of common shares outstanding – basic and diluted	<u>4,560,607</u>	<u>3,000,000</u>	<u>3,577,942</u>	<u>3,000,000</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edison Nation, Inc. (formerly known as Xspand Products Lab, Inc.) and Subsidiaries
Reconciliation of Net Income (Loss) to Adjusted EBITDA
(Unaudited)

	For the Three Months Ended September 30,	For the Nine months Ended September 30,
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	2018	2017	2018	2017
Net (loss) income	\$ (1,679,306)	\$ 315,168	\$ (3,983,272)	\$ 1,428,381
Interest expense, net	42,135	(1,228)	407,273	(3,671)
Income tax expense	167,813	(26,570)	312,186	64,655
Depreciation and amortization	40,742	50,056	120,003	152,990
EBITDA	(1,428,616)	337,426	(3,143,810)	1,642,355
Stock-based compensation	260,826	-	1,982,076	-
Other noncash stock-based charges	378,500	-	684,500	-
Change in fair value of put option contract	732,600	-	732,600	-
Restructuring and severance costs	9,000	-	27,000	-
Transaction and acquisition costs	84,980	-	239,682	-
Other non-recurring costs	-	-	42,686	-
Adjusted EBITDA	\$ 37,290	\$ 337,426	\$ 564,734	\$ 1,642,355



Source: Edison Nation, Inc.