

November 15, 2019



# Edison Nation, Inc. Reports Financial Results for the Third Quarter and Nine Months Ended September 30, 2019

*Nine Months Revenues Up 19% Year-over-Year to \$15.2 million*

*Initiates 2020 Revenue Guidance of \$34 million.*

PHILLIPSBURG, N.J.--(BUSINESS WIRE)-- Edison Nation, Inc. (NASDAQ:EDNT), an inventor ecosystem driving IP, media and innovative consumer products, today announced results for the third quarter ended September 30, 2019.

## Company Highlights

- Initiating 2020 revenue guidance of \$34 million.
- Raised \$2.4 million subsequent to quarter-end. In addition, the Company eliminated \$1.1 million of convertible debt through the issuance of 560,185 shares of common stock. The current share count is now 7.8 million shares.
- Further balance sheet improvement anticipated by year-end 2019 with the removal of \$5.6 million of liabilities related to the previously foreclosed entity, Cloud B, Inc., which is in the process of dissolution.
- [4Keeps Roses](#) has shipped product to over 300 retail stores and has received orders from an additional 1,200 stores. We anticipate fulfilling these orders before Valentine's Day 2020.
- Partnered with [Über Mom](#) to scale the brand's children's essentials and keepsakes product line by cobranding with our popular children's brand [Cloud B](#). The collaboration was formed through Edison Nation's Entrepreneur Partnership division.
- 129 Edison Nation SKUs currently listed on Amazon compared to 50 SKUs in 2018.
- Pirasta, has grown to become an Omni-channel brand with new customers Crate and Barrel, Land of Nod and Whole Foods.
- The award-winning "Everyday Edisons" show is being relaunched Feb 11, 2020, which is both Thomas Edison's birthday and National Inventors Day, on a major video-streaming provider. The show will now feature three inventors presenting three unique products to a panel of industry respected judges each episode.
- Commenced the development of the subscription-based Everyday Edisons Academy e-learning and master class offering, which will work in tandem with the Edison Innovation Platform engine.

## Third Quarter and Nine Months 2019 Financial Summary

### Revenue

- Third quarter 2019 revenue decreased to \$3.5 million, compared to \$4.9 million in the third quarter of 2018. The decrease was primarily attributable to a \$1.1mm shortfall in theme park product sales due to the following reasons: one of the Company China factories moved locations; Disney Hong Kong attendance has been impacted by the recent China protests, which have also disrupted the Company's Hong Kong operations in general; customers slowed purchase orders due to the China tariffs and requests by customers to quote key items made in America.
- First nine months 2019 revenue of \$15.2 million compared to \$12.8 million in the first nine months of 2018. The increase is the result of Edison Nation product and licensing revenues and product revenues from the acquisition of Cloud B.

## Net Loss

- Net loss in the third quarter of 2019 was \$2.6 million, or (\$0.44) per basic and diluted share, compared to a net loss of \$1.7 million, or (\$0.37) per basic and diluted share in the third quarter of 2018.
- Net loss for the first nine months of 2019 was \$5.8 million, or (\$1.00) per basic and diluted share, compared to a net loss of \$4.0 million, or (\$1.11) per basic and diluted share in the first nine months of 2018.

## Adjusted EBITDA

- Adjusted EBITDA, a non-GAAP measure, totaled negative \$1.3 million in the third quarter of 2019, compared to positive \$0.04 million in the third quarter of 2018.
- Adjusted EBITDA, a non-GAAP measure, totaled negative \$1.5 million in the first nine months of 2019, compared to positive \$0.6 million in the first nine months of 2018.

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").

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2019	2018	2019	2018
Net (loss) income	\$(2,631,204)	\$(1,679,306)	\$(5,784,666)	\$(3,983,272)
Interest expense, net	349,172	42,130	875,036	407,276
Income tax expense	-	167,813	74,200	312,186
Depreciation and amortization	318,449	40,742	952,019	120,003
<b>EBITDA</b>	(1,963,583)	(1,428,621)	(3,883,411)	(3,143,816)
Stock-based compensation	168,097	639,326	876,585	2,666,576
Change in fair value of put option contract		732,600		732,600
Restructuring and severance costs	153,182	9,000	324,164	27,000
Transaction and acquisition costs	224,370	84,980	447,908	239,682
Other non-recurring costs	100,772	-	724,137	42,686
<b>Adjusted EBITDA</b>	<u>\$(1,317,162)</u>	<u>\$ 37,285</u>	<u>\$(1,510,617)</u>	<u>\$ 564,728</u>

## Management Commentary

Chris Ferguson, Chief Executive, commented, “With the successful foundation-building 2019 year nearly behind us, Edison Nation is well-positioned for 2020 and is initiating revenue guidance of \$34 million. We expect the proliferation of our proprietary Edison Nation Innovation Platform engine to drive our growth and create substantial IP asset value in combination with the relaunch of the “Everyday Edisons” TV show and the development of the Everyday Edisons Academy inventor-centric master class e-learning service, which will bring recurring subscription revenue. We are confident that our brands will gain momentum in 2020 and thrilled that each of the brands now has products in the market, including our joint venture with [4Keeps Roses](#), [Cloud B](#) brand, Lily & Gray, [Pirasta](#), [911 Help Now](#), [Goodie Gusher](#), [Smarter Specs](#), EcoQuest and Trillion Trees.

## About Edison Nation, Inc.

Edison Nation, Inc. ([EDNT](#)) is a multifaceted ecosystem which fosters innovation, driving IP, media and innovative consumer products. Edison Nation offers innovation sourcing, design, sales, fulfillment and shipping services. The Edison Nation Innovation Platform sources innovative ideas for internal launch or license to brand partners. Edison Nation hopes to leverage its television property “Everyday Edisons” to become the recognized leader in the innovator community.

For more information, please visit [www.edisonnation.com](http://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 the Company's views as of any subsequent date. Such forward-looking statements are based on information available to the Company 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 and 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. The Company 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.

**Edison Nation, Inc. (formerly known as Xspan Products Lab, Inc.) and Subsidiaries  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,214,303	\$ 2,052,731
Accounts receivable, net	1,889,706	1,877,351
Inventory	1,106,077	923,707
Prepaid expenses and other current assets	996,968	611,695
Income tax receivable	31,563	-
Total current assets	5,238,617	5,465,484
Property and equipment, net	974,850	998,863
Right of use assets – operating leases, net	810,017	-
Intangible assets, net	11,873,337	12,687,731
Goodwill	9,736,510	9,736,510
Total assets	<u>\$ 28,633,331</u>	<u>\$28,888,588</u>

**Liabilities and stockholders' equity**

Current liabilities:

Accounts payable	\$ 6,932,584	\$ 5,519,159
Accrued expenses and other current liabilities	1,849,003	1,135,551
Deferred revenues	175,956	175,956
Current portion of operating lease liabilities	292,800	-
Income tax payable	-	129,511

Line of credit, net of debt issuance costs of \$19,466 and \$31,145, respectively	452,087	531,804
Current portion of notes payable, net of debt issuance costs of \$153,793 and \$0, respectively	1,270,243	313,572
Current portion of notes payable – related parties	1,039,330	932,701
Due to related party	22,896	140,682
Total current liabilities	12,034,900	8,878,936
Contingent consideration	520,000	520,000
Operating lease liabilities, net of current portion	534,817	-
Convertible notes payable – related parties, net of debt discount of \$439,819 and \$466,667 related to the conversion feature, respectively	2,099,455	961,494
Notes payable, net of current portion	46,101	56,688
Notes payable – related parties, net of current portion	2,342,249	2,531,490
Deferred tax liability	341	341
Total liabilities	17,577,863	12,948,949
Commitments and contingencies (Note 8)		
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value, 250,000,000 shares authorized; 6,033,835 and 5,654,830 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	6,034	5,655
Additional paid-in-capital	21,448,280	20,548,164
Accumulated deficit	(11,318,564)	(5,565,756)
Total stockholders' equity attributable to Edison Nation, Inc.	10,135,750	14,988,063
Noncontrolling interests	919,718	951,576
Total stockholders' equity	11,055,468	15,939,639
Total liabilities and stockholders' equity	<u>\$ 28,633,331</u>	<u>\$28,888,588</u>

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues, net	\$ 3,532,645	\$ 4,940,188	\$ 15,239,434	\$ 12,758,715
Cost of revenues	2,544,058	3,637,000	10,413,868	9,090,215
<b>Gross profit</b>	<u>988,587</u>	<u>1,303,188</u>	<u>4,825,566</u>	<u>3,668,500</u>

**Operating expenses:**

Selling, general and administrative	3,296,323	2,065,655	9,738,107	6,276,830
Operating loss	<u>(2,307,736)</u>	<u>(762,467)</u>	<u>(4,912,541)</u>	<u>(2,608,330)</u>
<b>Other (expense) income:</b>				
Rental income	25,704	25,704	77,111	77,111
Change in fair value of put option contract	-	(732,600)	-	(732,600)
Interest expense	(349,172)	(42,130)	(875,036)	(407,267)
Total other (expense) income	<u>(323,468)</u>	<u>(749,026)</u>	<u>(797,925)</u>	<u>(1,062,756)</u>
Loss before income taxes	<u>(2,631,204)</u>	<u>(1,511,493)</u>	<u>(5,710,466)</u>	<u>(3,671,086)</u>
Income tax expense	-	167,813	74,200	312,186
<b>Net loss</b>	<u>\$ (2,631,204)</u>	<u>\$ (1,679,306)</u>	<u>\$ (5,784,666)</u>	<u>\$ (3,983,272)</u>
<b>Net loss attributable to noncontrolling interests</b>	<u>(49,103)</u>	<u>-</u>	<u>(31,858)</u>	<u>-</u>
<b>Net loss attributable to Edison Nation, Inc.</b>	<u>\$ (2,582,101)</u>	<u>\$ (1,679,306)</u>	<u>\$ (5,752,808)</u>	<u>\$ (3,983,272)</u>
Net loss per share				
- basic and diluted	\$ (0.44)	\$ (0.37)	\$ (1.00)	\$ (1.11)
Weighted average number of common shares outstanding – basic and diluted				
	<u>5,834,167</u>	<u>4,560,607</u>	<u>5,733,379</u>	<u>3,577,942</u>

**Edison Nation, Inc. (formerly known as Xspand Products Lab, Inc.) and Subsidiaries  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flow from Operating Activities</b>		
Net loss attributable to Edison Nation, Inc.	\$ (5,752,808)	\$ (3,983,272)
Net loss attributable to noncontrolling interests	(31,858)	-
Net loss	(5,784,666)	(3,983,272)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	952,019	120,004
Amortization of financing costs	658,126	266,944
Stock-based compensation	876,585	2,666,576
Amortization of right of use asset	217,189	-
Change in fair value of put option contract	-	732,600
Changes in assets and liabilities:		
Accounts receivable	(12,355)	(1,402,277)
Inventory	(182,370)	39,974

Prepaid expenses and other current assets	(667,836)	(1,011,586)
Accounts payable	1,413,425	55,194
Accrued expenses and other current liabilities	549,072	780,564
Repayment of operating lease liabilities	(199,589)	-
Due from related party	(117,786)	(472,352)
<b>Net cash used in operating activities</b>	<b>(2,298,186)</b>	<b>(2,207,631)</b>

### Cash Flows from Investing Activities

Purchases of property and equipment	(113,612)	(121,186)
Acquisition of Edison Nation Holdings, LLC and Subsidiaries, net of cash received	-	(881,318)
Purchase of loan held for investment	-	(500,000)
<b>Net cash used in investing activities</b>	<b>(113,612)</b>	<b>(1,502,504)</b>

### Cash Flows from Financing Activities

Borrowings under lines of credit	249,370	-
Borrowings under convertible notes payable	1,111,111	-
Borrowings under notes payable	1,670,000	718,559
Repayments under lines of credit	(340,766)	-
Repayments under notes payable	(570,587)	(645,000)
Repayments under notes payable – related parties	(82,612)	(118,779)
Net proceeds from sale of common stock	-	5,358,570
Fees paid for financing costs	(463,146)	(99,444)
<b>Net cash provided by financing activities</b>	<b>1,573,370</b>	<b>5,213,906</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(838,428)</b>	<b>1,503,771</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>2,052,731</b>	<b>557,268</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 1,214,303</b>	<b>2,061,039</b>

### Supplemental Disclosures of Cash Flow Information

Cash paid during the period for:

Interest	\$ 145,324	\$ 93,044
Income taxes	\$ -	\$ -

Noncash investing and financing activity:

Shares issued to note holders	\$ 309,780	\$ 167,500
Shares issued for the acquisition of Edison Nation Holdings, LLC	-	3,760,317
Shares reserved in exchange for the cancellation of certain non-voting membership interests related to acquisition of Edison Nation Holdings, LLC	-	6,682,500
Borrowings under note payable for the purchase of property and equipment	-	73,559
Issuance of 4%, 5 year senior convertible notes for the acquisition of Edison Nation Holdings, LLC	-	1,428,161

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<https://www.businesswire.com/news/home/20191115005192/en/>

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