

June 1, 2020



# Edison Nation, Inc. Reports Financial Results for the Twelve Months Ended December 31, 2019 and Preliminary Results for the Three Months Ended March 31, 2020

*2019 Revenues Up 19% Year-over-Year to \$19.6 million*

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

Bethlehem, PA, June 01, 2020 (GLOBE NEWSWIRE) -- Edison Nation, Inc. (NASDAQ:EDNT), an inventor ecosystem driving IP, media and innovative consumer products, today announced results for the twelve months ended December 31, 2019 and preliminary unaudited results for the three months ended March 31, 2020.

## Company Highlights

- Reaffirms 2020 revenue guidance of \$34 million.
- The Company eliminated \$1.1 million of convertible debt in October 2019 through the issuance of 560,185 shares of common stock.
- The Company raised \$2.0 million of equity through the sale of restricted common stock in a PIPE transaction in the 4<sup>th</sup> Quarter of 2019.
- Further balance sheet improvement with the removal of \$5.3 million of liabilities related to the previously foreclosed entity, Cloud B, Inc., which was sold in the first quarter of 2020.
- The Company relaunched its Edison Nation Medical Division (“EN Medical”). EN Medical operates an online portal granting hospitals, government agencies and distributors access to its catalog of medical supplies and hand sanitizers.
- In 2019, Edison Nation increased its SKUs currently listed on Amazon by over 150%.
- 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 launched on Crackle on Feb 11, 2020, which is both Thomas Edison’s birthday and National Inventors Day. The show features 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.

## Twelve Months Ended December 31, 2019 Financial Summary

### Revenue

- Revenue for the twelve months ended December 31, 2019 increased to \$19.6 million compared to \$16.5 million for the twelve months ended December 31, 2018. The increase of \$3.1 million represents an 18.95% increase year over year that was primarily attributable to an increase related to our Amazon business, revenues from Cloud B and Edison Nation acquisitions.

### Net Loss

- Net loss for the twelve months ended December 31, 2019 was \$14.2 million, or (\$2.36) per basic and diluted share, compared to a net loss of \$5.3 million, or (\$1.28) per basic and diluted share in the third quarter of 2018.

### Adjusted EBITDA

- Adjusted EBITDA, a non-GAAP measure, totaled negative \$2.4 million for the twelve months ended December 31, 2019, compared to positive \$0.1 million for the twelve months ended December 31, 2018.

## First Quarter Unaudited Preliminary Results

### Revenue

- Revenue for the three months ended March 31, 2020 decreased to \$3.6 compared to \$5.8 million for the three months ended March 31, 2019. The decrease in revenue is mostly attributable to the closure of the Company's Hong Kong and China based operations for the majority of the first quarter of 2020 due to the effects of COVID-19.

### Liquidity Update

- As of March 31, 2020, the Company had cash and cash equivalents of \$0.5 million. During the quarter, the Company implemented measures to preserve liquidity and cash on hand, which included the following:
  - A reduction in headcount resulting in annual savings of \$0.85 million.
  - In January 2020, the Company raised \$0.4 million through the issuance of three promissory notes.
  - In January 2020, the Company raised an additional \$1.1 million through the issuance of a convertible promissory note and used \$0.6 million of the proceeds to repay other debt.
  - In April 2020, The Company received proceeds of \$0.8 million under the Paycheck Protection Program through First Choice Bank, which is part of the recently enacted Coronavirus Aid, Relief, and Economic Security Act administered by the United States Small Business Administration.
  - In April 2020, the Company raised an additional \$0.3 million through two Securities Purchase Agreements.
- On February 17, 2020, the Company disposed of Cloud B, Inc., which resulted in a balance sheet improvement of \$5.3 million due to the removal of those liabilities. The following is a table of liabilities by line item that will be removed:

## Liabilities

### Current liabilities:

Accounts payable	\$	4,015,484
Accrued expenses and other current liabilities		370,289
Income tax payable		14,473
Current portion of notes payable		300,000
Current portion of notes payable – related parties		600,000
<b>Total liabilities</b>	<b>\$</b>	<b>5,300,246</b>

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”).

	For the Years Ended December 31,	
	2019	2018
Net (loss) income	\$ (14,198,980 )	\$ (5,344,017 )
Interest expense, net	1,298,168	501,221
Income tax (benefit) expense	(19,547 )	303,915
Depreciation and amortization	1,321,186	487,878
<b>EBITDA</b>	<b>(11,599,173 )</b>	<b>(4,050,990 )</b>
Stock-based compensation	2,299,915	2,025,994
Other noncash stock-based charges	-	1,222,172
Impairment	4,443,000	-
Restructuring and severance costs	446,114	148,167
Transaction and acquisition costs	447,908	689,103
Other non-recurring costs	1,520,777	62,686
<b>Adjusted EBITDA</b>	<b>\$ (2,441,459 )</b>	<b>\$ 97,132</b>

## Management Commentary

Chris Ferguson, Chief Executive, commented, “With the successful foundation-building of 2019 behind us, Edison Nation is well-positioned for 2020 and is reaffirming its 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 that will bring recurring subscription revenue. We are confident that our brands will continue to gain momentum in 2020 and thrilled that each of the brands now has products in the marketplace, including our joint venture with [4Keeps Roses](#), [Cloud B](#) brand, Lily & Gray, [Pirasta](#), [911 Help Now](#), [Goodie Gusher](#), [Smarter Specs](#), EcoQuest, Uber Mom, Edison Nation Medical 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. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 412,719	\$ 2,052,731
Accounts receivable, net	2,108,099	1,877,351
Inventory	1,369,225	923,707
Prepaid expenses and other current assets	917,433	611,695
Income tax receivable	147,889	-
Total current assets	<u>4,955,365</u>	<u>5,465,484</u>
Property and equipment, net	931,968	998,863
Right of use assets, net	732,100	-
Intangible assets, net	11,598,063	12,687,731
Goodwill	5,392,123	9,736,510
Total assets	<u><u>\$ 23,609,619</u></u>	<u><u>\$ 28,888,588</u></u>

#### **Liabilities and stockholders' equity**

Current liabilities:		
Accounts payable	\$ 7,397,650	\$ 5,519,159
Accrued expenses and other current liabilities	1,594,669	1,135,551
Deferred revenues	159,591	175,956
Current portion of operating leases liabilities	272,215	-
Income tax payable	22,919	129,511
Line of credit, net of debt issuance costs of \$15,573 and \$30,000, respectively	456,995	531,804
Current portion of notes payable, net of debt issuance costs of \$212,848 and \$0, respectively	1,365,675	313,572
Current portion of notes payable – related parties	1,686,352	932,701
Due to related party	17,253	140,682
Total current liabilities	<u>12,973,319</u>	<u>8,878,936</u>
Contingent consideration	-	520,000
Operating leases liabilities –net of current portion	482,212	-
Convertible notes payable – related parties, net of current portion, net of debt discount of \$366,666 and \$466,667, respectively	1,061,495	961,494
Notes payable, net of current portion	42,492	56,688
Notes payable – related parties, net of current portion	1,595,669	2,531,490
Deferred tax liability	-	341
Total liabilities	<u>\$ 16,155,187</u>	<u>\$ 12,948,949</u>
Commitments and Contingencies (Note 14)		

#### **Stockholders' equity**

Common stock, \$0.001 par value, 250,000,000 shares authorized; 8,015,756 and 5,654,830 shares issued and outstanding as of December 31, 2019 and 2018, respectively	\$ 8,016	\$ 5,655
Additional paid-in-capital	26,259,575	20,548,164
Accumulated deficit	(18,495,461 )	(5,565,756 )
Total stockholders' equity attributable to Edison Nation, Inc.	<u>7,772,130</u>	<u>14,988,063</u>
Noncontrolling interests	(317,698 )	951,576
Total stockholders' equity	<u><u>7,454,432</u></u>	<u><u>15,939,639</u></u>

Total liabilities and stockholders' equity	<u>\$ 23,609,619</u>	<u>\$ 28,888,588</u>
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***The accompanying notes are an integral part of these consolidated financial statements.***

**Edison Nation, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues, net</b>	\$ 19,629,062	\$ 16,502,209
Cost of revenues	12,822,450	11,425,619
<b>Gross profit</b>	<u>6,806,612</u>	<u>5,076,590</u>
<b>Operating expenses:</b>		
Selling, general and administrative	15,909,840	9,718,286
Gain on change in fair value of earnout liability	(520,000 )	-
Impairment of goodwill	4,443,000	-
Total operating expenses	<u>19,832,840</u>	<u>9,718,286</u>
Operating loss	<u>(13,026,228 )</u>	<u>(4,641,696 )</u>
<b>Other (expense) income:</b>		
Rental income	102,815	102,815
Interest expense	(1,298,168 )	(501,221 )
Other income	3,054	-
Total other expense	<u>(1,192,299 )</u>	<u>(398,406 )</u>
Loss before income taxes	<u>(14,218,527 )</u>	<u>(5,040,102 )</u>
Income tax (benefit) expense	(19,547 )	303,915
<b>Net loss</b>	<u>(14,198,980 )</u>	<u>(5,344,017 )</u>
<b>Net loss attributable to noncontrolling interests</b>	<u>(1,269,274 )</u>	<u>(13,891 )</u>
<b>Net loss attributable to Edison Nation, Inc.</b>	<u>(12,929,706 )</u>	<u>(5,330,126 )</u>
Net loss per share - basic and diluted	<u>\$ (2.36 )</u>	<u>\$ (1.28 )</u>
Weighted average number of common shares outstanding – basic and diluted	<u>6,026,049</u>	<u>4,157,054</u>

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

**Edison Nation, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flow from Operating Activities</b>		
Net loss attributable to Edison Nation, Inc.	\$ (12,929,706 )	\$ (5,330,126 )
Net loss attributable to noncontrolling interests	(1,269,274 )	(13,891 )
Net loss	<u>(14,198,980 )</u>	<u>(5,344,017 )</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,316,501	487,878

Amortization of debt issuance costs	944,437	300,277
Stock-based compensation	2,299,915	3,386,493
Change in fair value of earnout	(520,000 )	-
Impairment of goodwill	4,443,000	-
Deferred tax liability	(341 )	(33,868 )
Amortization of right of use asset	295,106	-
Changes in assets and liabilities:		
Accounts receivable	(230,748 )	590
Inventory	(445,518 )	59,309
Prepaid expenses and other current assets	(704,626 )	(353,440 )
Accounts payable	1,878,491	(1,408,184 )
Accrued expenses and other current liabilities	282,516	636,881
Operating lease liabilities	(272,779 )	-
Due from related party	(123,429 )	(507,922 )
<b>Net cash used in operating activities</b>	<u>(5,036,455 )</u>	<u>(2,776,003 )</u>

### Cash Flows from Investing Activities

Purchases of property and equipment	(159,938 )	(141,440 )
Acquisitions, net of cash	-	(772,581 )
Purchase of loan held for investment	-	(500,000 )
<b>Net cash used in investing activities</b>	<u>(159,938 )</u>	<u>(1,414,021 )</u>

### Cash Flows from Financing Activities

Net borrowings under line of credit	-	531,804
Borrowings under convertible notes payable	1,111,111	-
Borrowings under notes payable	2,482,500	718,559
Repayments under line of credit	(90,382 )	-
Repayments under notes payable	(1,231,744 )	(648,299 )
Repayments under notes payable – related parties	(182,170 )	(132,309 )
Fees paid for financing costs	(581,496 )	(99,444 )
Net proceeds from issuance of common stock – net of offering costs of \$310,697	2,048,562	5,315,176
<b>Net cash provided by financing activities</b>	<u>3,556,381</u>	<u>5,685,487</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(1,640,012 )</u>	<u>1,495,463</u>
<b>Cash and cash equivalents - beginning of year</b>	<u>2,052,731</u>	<u>557,268</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 412,719</u>	<u>\$ 2,052,731</u>

### Supplemental Disclosures of Cash Flow Information

Cash paid during the period for:		
Interest	\$ 260,444	\$ 103,865
Income taxes	\$ 235,275	\$ 265,015
Shares issued to note holders	\$ -	\$ 167,500
Shares issued for the acquisition of Edison Nation Holdings, LLC	\$ -	\$ 3,384,285
Shares issued for the asset acquisition of Uber Mom	\$ 98,613	\$ -
Shares reserved for the acquisition of Edison Nation Holdings, LLC	\$ -	\$ 6,014,250
Shares issued for the acquisition of Cloud B, Inc.	\$ -	\$ 2,664,200
Borrowings under note payable for the purchase of property and equipment	\$ -	\$ 73,559
Issuance of 5%, 5-year senior convertible notes for the acquisition of Edison Nation Holdings, LLC, net of debt discount for conversion feature	\$ -	\$ 1,428,161
Change in fair value of earnout	\$ (520,000 )	\$ 520,000

Satisfaction of due from related party for acquisition of Best Party Concepts, LLC	\$ -	\$ 500,000
Deemed distribution to shareholder for acquisition of Best Party Concepts, LLC	\$ -	\$ 692,533
Satisfaction of due from related party for acquisition of Pirasta, LLC	\$ -	\$ 470,000
Deemed distribution to shareholder for acquisitions of Pirasta, LLC	\$ -	\$ 188,552
Right of use assets	\$ 943,997	\$ -
Operating lease liabilities	\$ 943,997	\$ -

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

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