

Frankly Reports First Quarter 2019 Financial Results

NEW YORK, May 30, 2019 /PRNewswire/ --**Frankly Inc. (TSX VENTURE: TLK) (Frankly or the Company)** reported financial results for the first quarter ended March 31, 2019. All financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

First Quarter 2019 Financial Results (All amounts in U.S. dollars)

- Revenue decreased 69% to \$1.9 million from \$6.1 million in the prior quarter and decreased 68% from \$5.8 million in the first quarter of 2018. The year-over-year decrease in revenue was due to a significant decrease in license and usage fees and advertising revenues primarily driven by terminations at the end of 2018 of the Company's customer agreements with Raycom Media, Inc. ("Raycom") and Gray Television, Inc. ("Gray"), who finalized their merger on January 2, 2019, and who accounted for 18% and 26%, respectively, of the Company's revenue for the year ended December 31, 2018. Separately, five other of the Company's top customers terminated their agreements on or before December 31, 2018. In the aggregate, these terminations represented a significant percentage of the Company's revenue and have had a material negative impact on 2019 revenues and related net income (loss).
- Net loss totaled \$(2.0) million compared to net income of \$8.1 million in the prior quarter and net loss of \$(3.8) million in the first quarter of 2018. The sequential decrease in net loss of \$10.1 million was primarily due to gain on extinguishment of debt of \$9.3 million recognized in the fourth quarter of 2018. The year-over-year decrease in net loss of \$1.8 million was primarily due to decreases in cost of revenue of \$1.4 million, general and administrative expense of \$1.6 million, and depreciation and amortization expense of \$1.1 million. Additionally, during the quarter ended March 31, 2018, the Company incurred restructuring expense and retention expense of \$0.5 million and \$0.6 million, respectively, compared to no restructuring expense and \$0.2 million in retention expense in the quarter ended March 31, 2019, a total decrease of \$0.9 million. Lastly, during the quarter ended March 31, 2018, the Company incurred interest expense, net of \$0.6 million compared to no interest expense in the quarter ended March 31, 2019. These decreases in expenses were partially offset by the \$3.9 million decrease in revenue discussed above.
- Adjusted EBITDA loss totaled \$(1.7) million compared to adjusted EBITDA loss of \$(0.3) million in the prior quarter and adjusted EBITDA loss of \$(0.8) million in the first quarter of 2018 (see discussion about the presentation of adjusted EBITDA under the heading "Non-GAAP Measures" below). The year-over-year increase in adjusted EBITDA loss of \$0.9 million was primarily due to the \$3.9 million decrease in revenue discussed above, partially offset by \$3.0 million decrease in cost of revenue and general and administrative expense discussed above. In addition, the Company capitalized software development costs in the quarter ended March 31, 2018 of \$0.7 million compared to \$0 in the quarter ended March 31, 2019. In the third quarter of 2018, the Company fully impaired its capitalized software development costs. As a result, beginning in the fourth quarter of 2018, the Company no longer capitalized these costs, which consisted of employee and contractor costs. When considering capitalized software development costs in the 2018 period, on a comparable basis to the 2019 period, adjusted EBITDA loss would have amounted to \$(1.5) million.
- At March 31, 2019, the Company had \$2.2 million in cash.

Management Commentary

"The beginning of 2019 represented a fresh start for our company," said Frankly CEO Lou Schwartz. "While our financial results were impacted by certain legacy customer terminations occurring at the end of 2018, we have turned this setback into an opportunity to rebuild and redefine our long-term strategy. More specifically, we fully extinguished our roughly \$26 million debt obligation, bought back nearly half our stock, and received a new infusion of equity capital, all while significantly reducing our expenses along the way. Put together, we are now in a strong position to drive rapid growth and have attractive capital prospects to augment our new strategy.

"Going forward, we will continue to leverage our product suite to pursue adjacent markets where we can realize greater scale from our existing infrastructure and national footprint of local broadcasters, publishers and advertisers. Our recent acquisition of Triton's AMP business is a prime example of how we plan to drive meaningful growth from efficient use of capital. With the additional stations added from the Triton acquisition, we are now serving over 1,200

radio and TV stations throughout the U.S. and abroad. Greater scale in local markets translates into higher yield from local advertisers who support the business operations of TV, radio and print. Additionally, we are now actively engaged in discussions on several potential transactions, which would have otherwise been unlikely given the company's previous significant debt burden. We are looking forward to making additional transactions that fit this type of profile, which enable us to more fully build out our digital media ecosystem and advance our position in the market. In all, we remain increasingly confident in Frankly's prospects for growth and sustained profitability in the years ahead."

About Frankly

Frankly Media provides a complete suite of digital solutions for media companies to create, manage, distribute and monetize their content on all platforms maximizing audience engagement and revenue potential. The company is headquartered in New York with offices in Atlanta. For more information, visit www.franklymedia.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Non-GAAP Measures

The Company reports earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA, which are not financial measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP") and therefore may not be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute to net income (loss) or any other financial measures of performance or liquidity calculated and presented in accordance with GAAP. The Company defines Adjusted EBITDA as EBITDA, adjusted to exclude certain non-cash charges and other items that we do not believe are reflective of our ongoing operating results. The Company utilizes Adjusted EBITDA internally for purposes of forecasting, determining compensation, and assessing the performance of our business, therefore, we believe this measure provides useful supplemental information that may assist investors in assessing an investment in the Company.

The following unaudited table presents the reconciliation of net loss to Adjusted EBITDA for the three months ended March 31, 2019 and 2018, respectively.

	Three Months Ended March 31,	
	2019	2018
Net Loss	\$ (1,958,080)	\$ (3,809,493)
Interest expense, net	-	597,096
Income tax expense	-	-
Depreciation and amortization	24,708	1,147,245
Stock-based compensation	14,162	235,040
Transaction costs	-	24,673
Restructuring expense	-	460,960
Retention expense	205,632	588,099
Other expense	1,273	-
Adjusted EBITDA	\$ (1,712,305)	\$ (756,380)

Notice Regarding Forward-Looking Statements

This release includes forward-looking statements regarding Frankly and its respective businesses, including statements with respect to the completion of the transactions contemplated in the agreements with Raycom and SKP America, the effect of the transactions with Raycom, SKP America, and Triton on the Company's operations and strategy, the ability to leverage the Company's product suite to pursue adjacent markets and realize additional benefits from existing infrastructure, the intention to complete additional transactions and their effect on the Company's operations, and the Company's growth and profitability in the future. Forward-looking events and circumstances discussed in this release may not occur by certain specified dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting the parties. Forward looking statements depend on certain assumptions that management deems to be reasonable in the circumstances, but such assumptions may prove to be incorrect and the outcome of the subject of any forward-looking statement cannot be guaranteed. Such assumptions are based on, among other things, unaudited historical financial performance of acquired assets, evaluation of market dynamics and opportunities, and contractual obligations. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Frankly undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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