

June 30, 2020



# Edison Nation, Inc. Reports Financial Results for the First Quarter Ended March 31, 2020, with Positive EPS

Bethlehem, P.A., June 30, 2020 (GLOBE NEWSWIRE) -- Edison Nation, Inc. (NASDAQ:EDNT), a multifaceted ecosystem that fosters innovation and drives IP, media and consumer products, today announced results for the first quarter ended March 31, 2020.

## Company Highlights

- Reaffirms 2020 revenue guidance of \$34 million.
- First quarter in company history with positive Earnings Per Share (“EPS”). EPS was \$0.16 compared to a negative \$0.25 for the comparable period.
- Appointment of Media Industry Leader Mary Ann Halford to the Company’s Board of Directors
- Relaunch of Edison Nation Medical division (“EN Medical), distributing personal protective equipment (“PPE”) and ancillary medical supplies to hospitals, government agencies, and distributors.
- Creation of Global Clean Solutions, producing proprietary sanitizer stands with subscription-based refills of our in-house sanitizer, Purple Mountain Clean.
- 4 Keeps Roses has developed Artist Versions of our Single Rose that will be rolled out for Day of The Dead and Halloween this fall, available for sale at 7-Eleven and other convenience stores nationwide.
- Common stock shares outstanding of 9,210,401 at March 31, 2020.
- Further balance sheet improvement with the sale of Cloud B, Inc.
- Acquisition of HMNRTH, a leading producer of cannabidiol health and wellness products.
- Beta version of ENovation ENgine, a SaaS platform to engage early stage businesses and entrepreneurs.
- Expansion of Pressix licensing agreement, and licensing of Table-to-Go from Edison Nation community.
- Return of Emmy-Award winning television show, *Everyday Edisons*, streaming on Crackle.

## First Quarter 2020 Financial Summary

### Revenue

- First quarter 2020 revenue decreased to \$3.6 million, compared to \$5.7 million in the first quarter of 2019. The decrease was primarily the result of a decrease in business operations due to the COVID-19 pandemic in China and the US. The full impact of the

COVID-19 outbreak to the Company's operations remains uncertain. Some of our larger customers, such as amusement parks remain closed or operating in a limited capacity. After operating at lower than planned production levels during most of the first quarter due to COVID-19, the Company's third-party manufacturing facilities in China are currently operating at planned capacity for this time of year. Manufacturing and warehouse partners outside of China are operating at varying levels of productivity depending on local government and safety considerations, with some markets operating at lower than normal production levels while other facilities have been closed entirely. The COVID-19 situation continues to be fluid, but we currently expect all manufacturing facilities to reopen in the third quarter, based upon our understanding of local governments' directions at this time.

### Net Income (Loss)

- Net income in the first quarter of 2020 was \$1.2 million, or \$0.16 per basic and \$0.13 per diluted share, compared to a net loss of \$1.4 million, or (\$0.25) per basic and diluted share in the first quarter of 2019.
- Gain on divestiture of \$4,911,760 related to the deconsolidation of liabilities in connection with the sale of Cloud B, Inc. on February 17, 2020. The table below shows the assets and liabilities that the Company was relieved of in the transaction:

	<b>February 17, 2020</b>
Accounts payable	4,005,605
Accrued Expenses	370,289
Income Tax Payable	14,473
Notes Payable	900,000
Non-Controlling Interest	26,393
Shares to be issued to Buyer	(405,000)
Gain on divestiture	<u>\$ 4,911,760</u>

### Adjusted EBITDA

- Adjusted EBITDA, a non-GAAP measure, totaled negative \$0.9 million in the first quarter of 2020, compared to negative \$0.2 million in the first quarter of 2019.

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").

	<b>For the Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net income (loss)	\$ 1,269,492	\$ (1,378,397)
Interest expense, net	723,957	124,696
Income tax gain (expense)	-	23,195
Depreciation and amortization	316,298	301,383
<b>EBITDA</b>	<u>2,309,747</u>	<u>(929,123)</u>

Stock-based compensation	1,319,511	309,919
Other non-cash stock-based charges	-	52,500
Restructuring and severance costs	242,136	36,385
Transaction and acquisition costs	82,736	223,538
Other non-recurring costs	40,860	104,174
Gain on divestiture	(4,911,760)	-
<b>Adjusted EBITDA</b>	<b>\$ (916,770)</b>	<b>\$ (202,607)</b>

## Management Commentary

Chris Ferguson, Chief Executive, commented, “The beginning of 2020 has been a testament to the ingenuity and capacity for innovation within the Edison Nation team and community, and allows us to confidently reaffirm 2020 revenue guidance of \$34mm. We are looking forward to a year of continued growth and expansion of our product lines and related media and SaaS efforts.”

## About Edison Nation, Inc.

Edison Nation, Inc. 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 Xspand Products Lab, Inc.) and Subsidiaries CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 532,062	\$ 412,719
Accounts receivable, net	2,043,739	2,108,099
Inventory	1,300,136	1,369,225
Prepaid expenses and other current assets	883,992	917,433
Income tax receivable	147,889	147,889
Total current assets	<u>4,907,818</u>	<u>4,955,365</u>
Property and equipment, net	922,861	931,968
Right of use assets, net	654,277	732,100
Intangible assets, net	11,322,789	11,598,063
Goodwill	5,392,123	5,392,123
Total assets	<u>\$ 23,199,868</u>	<u>\$ 23,609,619</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 3,176,725	\$ 7,397,650
Accrued expenses and other current liabilities	1,978,295	1,594,669
Deferred revenues	154,489	159,591

Current portion of operating leases liabilities	282,689	272,215
Income tax payable	8,446	22,919
Line of credit, net of debt issuance costs of \$0 and \$15,573, respectively	585,430	456,995
Current portion of convertible notes payable, net of debt issuance costs of \$855,555	244,445	-
Current portion of notes payable, net of debt issuance costs of \$245,819 and \$212,848, respectively	1,341,079	1,365,675
Current portion of notes payable – related parties	1,118,751	1,686,352
Due to related party	9,138	17,253
Total current liabilities	<u>8,899,487</u>	<u>12,973,319</u>
Operating leases liabilities –net of current portion	396,962	482,212
Convertible notes payable – related parties, net of current portion, net of debt discount of \$341,667 and \$366,666, respectively	1,086,494	1,061,495
Notes payable, net of current portion	38,842	42,492
Notes payable – related parties, net of current portion	1,548,762	1,595,669
Total liabilities	<u>11,970,547</u>	<u>16,155,187</u>
Commitments and Contingencies (Note 7)		

### Stockholders' equity

Preferred stock, \$0.001 par value, 30,000,000 shares authorized; 0 and 0 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	\$ -	\$ -
Common stock, \$0.001 par value, 250,000,000 shares authorized; 8,676,501 and 8,015,756 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	8,677	8,016
Additional paid-in-capital	28,790,704	26,259,575
Accumulated deficit	<u>(17,225,970)</u>	<u>(18,495,461)</u>
Total stockholders' equity attributable to Edison Nation, Inc.	11,573,411	7,772,130
Noncontrolling interests	<u>(344,090)</u>	<u>(317,698)</u>
Total stockholders' equity	<u>11,229,321</u>	<u>7,454,432</u>
Total liabilities and stockholders' equity	\$ <u>23,199,868</u>	\$ <u>23,609,619</u>

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

	Three Months Ended March 31,	
	2020 (Unaudited)	2019 (Unaudited)
Revenues, net	\$ 3,667,110	\$ 5,738,534

Cost of revenues	2,418,412	3,945,558
<b>Gross profit</b>	<u>1,248,698</u>	<u>1,792,976</u>
<b>Operating expenses:</b>		
Selling, general and administrative	4,192,713	3,049,188
Operating loss	<u>(2,944,015)</u>	<u>(1,256,212)</u>
<b>Other (expense) income:</b>		
Rental income	25,704	25,704
Interest expense	(723,957)	(124,694)
Gain on divestiture	4,911,760	-
Total other income (expense), net	<u>4,213,507</u>	<u>(98,990)</u>
Income (loss) before income taxes	1,269,492	(1,355,202)
Income tax expense	-	23,195
<b>Net income (loss)</b>	<u>\$ 1,269,492</u>	<u>\$ (1,378,397)</u>
<b>Net (loss) income attributable to noncontrolling interests</b>	-	56,893
<b>Net income (loss) attributable to Edison Nation, Inc.</b>	1,269,492	(1,435,290)
Net income (loss) per share - basic	<u>\$ 0.16</u>	<u>\$ (0.25)</u>
Net income (loss) per share - diluted	<u>\$ 0.13</u>	<u>\$ (0.25)</u>
Weighted average number of common shares outstanding – basic	<u>8,181,470</u>	<u>5,661,380</u>
Weighted average number of common shares outstanding – diluted	<u>9,637,421</u>	<u>5,661,380</u>

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

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash Flow from Operating Activities</b>		
Net income (loss) attributable to Edison Nation, Inc.	\$ 1,269,492	\$ (1,435,290)
Net income attributable to noncontrolling interests	-	56,893
Net income (loss)	1,269,492	(1,378,397)
Adjustments to reconcile net (income) loss to net cash used in operating activities:		
Depreciation and amortization	316,299	301,383
Amortization of financing costs	570,636	56,022
Stock-based compensation	1,319,511	362,419
Amortization of right of use asset	77,823	77,704
Gain on divestiture	(4,911,760)	-
Changes in assets and liabilities:		
Accounts receivable	64,359	(776,057)

Inventory	69,089	(437,635)
Prepaid expenses and other current assets	33,441	(1,004,133)
Accounts payable	(215,320)	840,943
Accrued expenses and other current liabilities	335,815	381,714
Operating lease liabilities	(74,776)	(73,473)
Due from related party	(8,115)	(42,686)
<b>Net cash used in operating activities</b>	<u>(1,153,505)</u>	<u>(1,692,196)</u>

#### **Cash Flows from Investing Activities**

Purchases of property and equipment	(31,918)	(72,955)
<b>Net cash used in investing activities</b>	<u>(31,918)</u>	<u>(72,955)</u>

#### **Cash Flows from Financing Activities**

Net borrowings under line of credit	112,862	(15,035)
Borrowings under convertible notes payable	1,100,000	-
Borrowings under notes payable	950,000	500,000
Repayments under notes payable	(672,773)	(3,336)
Repayments under notes payable- related parties	(14,508)	(27,263)
Fees paid for financing costs	(170,815)	(22,500)
<b>Net cash provided by financing activities</b>	<u>1,304,766</u>	<u>431,866</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	119,343	(1,333,285)
<b>Cash and cash equivalents - beginning of period</b>	<u>412,719</u>	<u>2,052,731</u>
<b>Cash and cash equivalents - end of period</b>	\$ 532,062	719,446

#### **Supplemental Disclosures of Cash Flow Information**

Cash paid during the period for:

Interest	\$ 127,504	\$ 52,640
Income taxes	\$ -	\$ 235,275

Noncash investing and financing activity:

Shares issued to note holders	\$ 368,000	\$ 74,100
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#### **Investor Relations:**

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Source: Edison Nation, Inc.