

Frankly Reports Third Quarter and Nine Month 2019 Financial Results

NEW YORK, Nov. 29, 2019 /PRNewswire/ --**Frankly Inc.** (TSX-V: TLK) (OTCQX: FRNKF) ("**Frankly**"), a multi-platform engagement, monetization and data company, reported financial results for the third quarter and nine months ended September 30, 2019. All financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

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

- Revenue increased 36% to \$4.7 million from \$3.4 million in the prior quarter and decreased 23% from \$6.0 million in the third quarter of 2018. The sequential increase in revenue consisted of an increase in license fees of approximately \$828,000, advertising fees of \$369,000, and professional services and other fees of \$29,000, which was minorly offset by a decrease in usage fees of approximately \$6,000. The increase was partially due to the acquisitions of the AMP assets on May 10, 2019 and Vemba assets on August 7, 2019. The year-over-year decrease in revenue was due to customer terminations at the end of 2018 as discussed in previous filings.
- Net loss totaled \$(1.8) million compared to a net income of \$12.8 million in the prior quarter and net loss of \$(14.1) million in the third quarter of 2018. The sequential decrease in net income was primarily due to a gain on extinguishment of debt of \$14.7 million recognized in the second quarter of 2019 in connection with a debt settlement and share repurchase transaction with Raycom Media Inc. ("Raycom"), which closed on May 30, 2019. The year-over-year improvement in net loss was primarily attributable to an impairment expense of \$12.8 million recognized in the prior year period.
- Adjusted EBITDA loss totaled \$(874,000) compared to adjusted EBITDA loss of \$(1.5) million in the prior quarter and Adjusted EBITDA of \$972,000 in the third quarter of 2018 (see discussion about the presentation of Adjusted EBITDA under the heading "Non-GAAP Measures" below). The sequential increase in Adjusted EBITDA was primarily due the increase in revenue discussed above of \$1.2 million partially offset by an increase in operating expenses of \$554,000. The year-over-year increase in Adjusted EBITDA loss was primarily due to the customer terminations at the end of 2018 as discussed in previous filings. In addition, the Company capitalized software development costs in the 2018 period of \$0.6 million compared to \$0 in the 2019 period. 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.

Nine Month 2019 Financial Results (All amounts in U.S. dollars)

- Revenue decreased 43% to \$10.0 million from \$17.6 million in the same period in 2018. The decrease in revenue was due to the customer terminations at the end of 2018 as discussed in previous filings.
- Net income totaled \$9.1 million compared to a net loss of \$(19.4) million in the same period in 2018. The increase in net income was primarily due to the previously mentioned gain on extinguishment of debt of \$14.7 million recognized in the second quarter of 2019 in connection with a debt settlement and share repurchase transaction with Raycom, which closed on May 30, 2019 and an impairment expense of \$12.8 million recognized in the prior year period.
- Adjusted EBITDA loss totaled \$(4.1) million compared to adjusted EBITDA of \$866,000 in the prior year period. The decrease in adjusted EBITDA was due to decrease in revenue discussed above of \$7.6 million partially offset by a decrease in operating expenses of \$2.6 million. In addition, the Company capitalized software development costs in the 2018 period of \$1.9 million compared to \$0 in the 2019 period. 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.
- At September 30, 2019 the Company had \$1.8 million in cash and cash equivalents.

Management Commentary

"I am pleased to see continued sequential quarter over quarter revenue growth and scale across all parts of our business as we embark on our next chapter," said Company CEO Lou Schwartz. "The investments we made in our platform, strategic acquisitions we completed earlier in the year and the speed at which we integrated personnel and technology has contributed meaningfully to our performance. We look forward to leveraging the power of our

technology platform, media footprint and the scale of our audience to support the recently announced planned merger between Torque Esports Corp., Frankly and WinView, Inc. to build the first 'integrated news, gaming, sports, and esports platform' called Engine Media. We believe this strategy will enable us to deliver engaging local, national, and global content, while creating new streams of revenue for our customers and an even stronger marketing platform for advertisers."

Other Matters

The Company voluntarily de-registered its common shares with the SEC on April 1, 2019. As a "reporting issuer" in Canada that is no longer an "SEC Issuer" under Canadian securities laws by virtue of having a class of securities registered with the SEC, the applicable generally acceptable accounting principles (GAAP) for the Company's financial statements is International Financial Reporting Standards (IFRS), rather than U.S. GAAP. The Company is in the process of transitioning to IFRS to meet this requirement but until the transition is complete, the Company has continued to present and file financial information using U.S. GAAP and has submitted an application for exemptive relief with Canadian securities regulatory authorities in order to be permitted to continue to present and file financial information using U.S. GAAP up to and including the third quarter of 2019. Until the exemptive relief is granted, or, if not granted, until the Company files financial statements presented using IFRS (and if applicable, audited in accordance with Canadian generally accepted auditing standards), the Company will be noted as in default of its filing obligations. Based on discussions with the applicable regulatory authorities, the Company does not currently anticipate any trading restrictions resulting from this notation. The Company will update the market upon any material changes with respect to or resulting from the application. The presentation of financial information using U.S. GAAP is consistent with financial reporting in prior periods, and the Company does not believe the financial information presented under U.S. GAAP is materially different than it would be as presented under IFRS.

About Frankly

Frankly Media provides a complete suite of solutions that give publishers a unified workflow for the creation, management, publishing and monetization of digital content to any device, while maximizing audience value and revenue.

Frankly's products include a groundbreaking online video platform for Live, VOD and Live-to-VOD workflows, a full-featured CMS with rich storytelling capabilities, as well as native apps for iOS, Android, Apple TV, Fire TV and Roku.

Frankly also provides comprehensive advertising products and services, including direct sales and programmatic ad support. With the release of its server-side ad insertion (SSAI) platform, the company has been positioned to help video producers take full advantage of the growing market in addressable advertising. The company is headquartered in New York with offices in Atlanta. Frankly Media is publicly traded under ticker TLK on Canada's TSX Venture Exchange. 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 and nine months ended September 30, 2019 and 2018, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Income (Loss)	\$ (1,767,928)	\$ (14,102,800)	\$ 9,091,314	\$ (19,371,814)
Interest expense, net	49,175	684,230	49,175	1,880,329
Income tax expense	-	-	-	-
Gain on extinguishment of debt	-	-	(14,651,644)	-

Depreciation and amortization	190,645	1,313,485	351,696	3,726,729
Impairment expense	-	12,789,343	-	12,789,343
Loss on disposal of assets	-	-	-	12,823
Stock-based compensation	8,402	42,518	32,265	374,406
Transaction costs	52,273	(2,110)	199,728	76,582
Restructuring expense	128,097	-	128,097	542,210
Retention expense	-	247,548	205,632	835,647
Shareholder communications	465,000	-	465,000	-
Other expense	-	-	1,273	-
Adjusted EBITDA	\$ (874,336)	\$ 972,214	\$ (4,127,464)	\$ 866,255

Notice Regarding Forward-Looking Statements

This release includes forward-looking statements regarding Frankly and its respective businesses, including statements with respect to transitioning to presenting financial reporting using IFRS, the expected effects of being noted in default of disclosure obligations under Canadian securities laws, the Company's growth and profitability in the future and the planned merger between Torque Esports Corp., Frankly and WinView, Inc. 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. Such risks include, but are not limited to, risks that the Company will be unable to timely transition the Company from U.S. GAAP to IFRS or that such transition will not occur as anticipated or on terms compliant with regulatory requirements or acceptable to regulatory authorities, and risks relating to the Company's binding agreement to combine with Torque Esports Corp. and WinView, Inc., including the risks that such transaction may not be completed as proposed, or at all. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this news release. 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, historical financial performance, evaluation of market dynamics and opportunities, discussions with regulatory authorities and interpretation of securities regulatory instruments, 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, except as required by applicable law.

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