

Frankly Reports Fourth Quarter and Full Year 2016 Financial Results

SAN FRANCISCO, April 18, 2017 /CNW/ – **Frankly Inc. (TSX VENTURE: TLK) (Frankly)**, Frankly Inc. (TSX VENTURE: TLK) (Frankly), a leader in transforming local TV broadcast and media companies by enabling them to publish and monetize their digital content across multiple platforms, reported financial results for the fourth quarter and full year ended December 31, 2016. All financial statements have been prepared in accordance with U.S. GAAP. Separately, Frankly announced the appointment of Baker Tilly Virchow Krause LLP as its auditor.

Fourth Quarter 2016 Highlights

- Achieved second consecutive quarter of positive adjusted EBITDA
- Strengthened Board of Directors through appointments of former President and CEO of TiVo Tom Rogers as Chairman of the Board and experienced corporate consultant Steve Zenz as Chairman of the Audit Committee
- Applied for listing its common shares for trading on the NASDAQ Capital Market and filed an S-1 Registration Statement with the SEC to offer its common shares in the United States

Fourth Quarter 2016 Financial Highlights (All amounts in U.S. dollars)

- Revenue increased 15% to \$6.1 million from \$5.3 million in the fourth quarter of 2015, and decreased 1% from \$6.2 million in the third quarter of 2016. The year-over-year increase in revenue was primarily due to contractual changes to the company's advertising program requiring the company to recognize gross revenues beyond commissions, as well as an increase in advertising fees.
- Net loss totaled \$6.3 million compared to net loss of \$15.1 million in the fourth quarter of 2015, and net loss of \$1.4 million in the third quarter of 2016. At December 31, 2016, the company performed its annual goodwill impairment analysis and due to the decline of the company's common share price, a portion of the goodwill related to the Worldnow acquisition was deemed impaired and the company recorded a non-cash goodwill impairment expense of \$4.2 million. Excluding this impairment expense, along with one-time fees associated with the company's NASDAQ listing process, net loss for the fourth quarter of 2016 would have totaled \$1.7 million, which is an improvement from a net loss of \$2.9 million, excluding impairment expense of \$12.2 million in the fourth quarter of 2015.
- Adjusted EBITDA improved to \$104,000 from an adjusted EBITDA loss of \$1.1 million in the fourth quarter of 2015, and decreased from adjusted EBITDA of \$335,000 in the third quarter of 2016 (see discussion about the presentation of adjusted EBITDA below).
- The company had \$6.7 million in cash and restricted cash at December 31, 2016.

Full Year 2016 Financial Highlights (All amounts in U.S. dollars)

- Revenue was \$22.8 million compared to \$6.9 million in 2015. The increase was primarily due to the acquisition of Worldnow completed in August 2015.
- Net loss totaled \$10.7 million, compared to a net loss of \$24.8 million in 2015. The improvement resulted primarily from the \$8.9 million improvement in adjusted EBITDA noted above, in addition to an \$8.0 million reduction to impairment expense.
- Adjusted EBITDA improved to \$335,000 compared to an adjusted EBITDA loss of \$8.6 million in 2015 (see discussion about the presentation of adjusted EBITDA below).

Management Commentary

"Q4 marked another strong quarter for Frankly, solidifying our new quarterly revenue baseline, which we first achieved in Q3," said Frankly CEO Steve Chung.

"While we generated strong double-digit growth in our topline year-over-year, our revenue was down slightly from the prior quarter due to the anticipated consolidation of some of our existing customers. This sequential decline was partially offset by the continued growth of our advertising and platform licensing fees. More importantly, Q4 was highlighted by the achievement of our second consecutive quarter of positive adjusted EBITDA.

"Operationally, we continued to reduce non-essential costs and realize efficiencies, which not only improved our bottom line, but also allowed us to achieve the first full year of positive adjusted EBITDA in our company's history. We also made significant progress executing on our operational plan, securing several new customer wins and deployments such as Heartland Media, which we expect to start generating revenue in Q1. On top of this, our recently launched Data-as-a-Service product, Frankly Data, has been well received by the marketplace, reflecting the industry's growing need to solve the complex challenges of data driven advertising.

"Also during Q4, we strengthened our board of directors with the addition of Steve Zenz and Tom Rogers, with Tom recently appointed to the additional role of Chairman of the Board. With more than 30 years of experience in developing and transforming a wide range of companies within the tech, media and cable industries, Tom will play a critical role in helping Frankly not only build on our market share in the local media space, but further our expansion into other growth markets.

"To help support and accelerate this as well as other growth initiatives, we filed an S-1 Registration Statement relating to the proposed public offering of our common shares in the U.S. We plan to keep investors updated on the status of our proposed offering and are looking forward to listing on the NASDAQ exchange.

"Overall, we are encouraged by our financial and operational progress in 2016. Looking ahead, we will continue to focus aggressively on the three growth catalysts that will scale our business over the long run: data-driven advertising, mobile and OTT apps, and strategic channel partnerships. Our continued execution on these strategic initiatives will position us to further capitalize on the traditional media industry's multi-billion-dollar transformation to multi-screen content distribution. We expect this will help drive growth both in 2017 and the years ahead."

Conference Call

Frankly management will hold a conference call on Wednesday, April 19, 2017 at 5:00 p.m. Eastern time (2:00 p.m. Pacific time) to discuss these results. The call may also include discussion of company developments, forward-looking information and other material information about Frankly's business and financial matters.

Frankly CEO Steve Chung, along with CFO and COO Lou Schwartz, will host the presentation, followed by a question and answer period.

U.S. dial-in: 1-888-438-5491

International dial-in: 1-719-325-2315

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Lioios Group at 949-574-3860.

The conference call will be broadcasted live and available for replay [here](#). A replay of the call will be available after 8:00 p.m. Eastern time through May 3, 2017.

U.S. replay dial-in: 1-844-512-2921

International replay dial-in: 1-412-317-6671

Replay ID: 4827823

Auditor Change

Separately, effective April 17, 2017, Frankly has engaged Baker Tilly Virchow Krause LLP as its auditor, replacing its former auditor, Collins Barrow Toronto LLP. The change in auditor was not due to any disagreements with Collins Barrow Toronto LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Collins Barrow Toronto LLP, would have caused Collins Barrow Toronto LLP to make reference to the subject matter of the disagreements in their reports on the consolidated financial statements for the year ended

December 31, 2015.

About Frankly

Frankly (TSX VENTURE: TLK) builds an integrated software platform for media companies to create, distribute, analyze and monetize their content across all of their digital properties on web, mobile and TV. Its customers include NBC, ABC, CBS and FOX affiliates, as well as other leading media organizations. Collectively, Frankly reaches nearly 60 million monthly users in the United States. The company is headquartered in San Francisco with major offices in New York. To learn more, visit www.franklyinc.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.

Below is a reconciliation of adjusted EBITDA to net loss for the three and twelve month periods ended December 31, 2016 and 2015:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Net Loss	\$ (6,268,158) **	\$ (15,108,476)	\$ (10,710,942)	\$ (24,723,588)
Interest expense, net	516,390	223,943	1,266,096	300,420
Income tax expense	-	-	-	-
Depreciation and amortization	951,226	812,685	3,398,491	1,156,143
Stock-based compensation	331,161	273,533	1,190,960	1,050,916
Impairment expense	4,209,000	12,195,985	4,209,000	12,195,985
Loss on disposal of assets	-	25,935	1,093	25,935
Transaction costs	-	303,016	-	1,271,854
Nasdaq listing fees	363,927	-	774,152	-
Other expense	-	251,987	205,681	251,987
Non-operating income	-	(86,767)	-	(86,767)
Adjusted EBITDA	\$ 103,546	\$ (1,108,159)	\$ 334,531	\$ (8,557,115)

** Computed using Net Loss for the nine months ended September 30, 2016 of \$(4,442,784). Net Loss for the nine months ended September 30, 2016 previously reported was \$(4,533,357). The difference of \$90,573 is due to the reversal of loss on extinguishment of debt which was capitalized as a result of the year end closing process. The adjustment does not impact Adjusted EBITDA previously reported as loss on extinguishment of debt is an add-back to arrive at Adjusted EBITDA.

Notice Regarding Forward-Looking Statements

This release includes forward-looking statements regarding Frankly and their respective businesses. 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. No forward-looking statement can be guaranteed. 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.

To view the original version on PR Newswire, visit: <http://www.primewire.com/news-releases/frankly-reports-fourth-quarter-and-full-year-2016-financial-results-300440689.html>

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