

Frankly Reports First Quarter 2017 Financial Results

SAN FRANCISCO, May 19, 2017 /CNW/ – Frankly Inc. (TSX VENTURE: TLK) (Frankly), a leader in transforming local TV broadcasters and media companies by enabling them to publish and monetize their digital content across multiple platforms, reported financial results for the first quarter ended March 31, 2017. All financial statements have been prepared in accordance with U.S. GAAP.

First Quarter 2017 Financial Highlights (All amounts in U.S. dollars)

- Achieved third consecutive quarter of positive adjusted EBITDA
- Revenue increased 4% to a record \$6.4 million from \$6.1 million in the prior quarter, and increased 22% from \$5.2 million in the first quarter of 2016. The year-over-year increase in revenue was primarily due to an increase in usage and professional services fees, and 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 \$(1.5) million, an improvement from \$(6.3) million in the prior quarter and an improvement compared to net loss of \$(1.6) million in the first quarter of 2016.
- Adjusted EBITDA increased 312% to a record \$428,000 from \$104,000 in the prior quarter, and an improvement compared to \$3,000 in the first quarter of 2016 (see discussion about the presentation of adjusted EBITDA below).
- The company had \$4.5 million in cash and restricted cash at March 31, 2017.

Management Commentary

"We ended our quarter at the top-end of our previous pre-announcement on both revenue and EBITDA, and our strong first quarter results reflect the continued growth we've seen across our platform," said company CEO Steve Chung. "We experienced a healthy increase in customer usage and professional services fees, specifically around our phased web development work with Raycom Media, which helped drive double-digital growth and record revenue. Q1 also marked our third consecutive quarter of positive adjusted EBITDA, a telling metric both in terms of the consistent results we've been generating, as well as our continued ability to profitably grow the business.

"Looking ahead, we are continuing to build on our operational momentum in the second quarter. This momentum, and the underlying performance of our business, gives us increased confidence in our ability to execute on the strategic growth catalysts that will scale our business to the next level: data-driven advertising, mobile and OTT apps, and strategic channel partnerships. Our investment in and continued execution on these strategic initiatives have positioned Frankly for success both this year and the years ahead. On a broader level, we believe our success in these key areas, as we've begun to show already, will establish Frankly as the de facto platform in traditional media's fundamental transformation to multi-screen content distribution."

Update to Initial Public Offering

In terms of the Offering, it is currently anticipated that approximately 2,400,000 Units consisting of one common share and one warrant to purchase one common share will be issued by Frankly as part of the Offering, assuming an offering price of US\$5.25, which is the midpoint of the price range of US\$4.50 to US\$6.00 per Unit (the "Offering Price") included in the registration statement. In addition, Frankly intends to grant the underwriters for the Offering a 45-day option to acquire up to an additional 360,000 Units assuming an Offering Price of US\$5.25 (the midpoint of the price range included in the registration statement), solely for the purpose of covering over-allotments, if any. We have applied to list the units, common shares and warrants on the Nasdaq Capital Market. After the first six months, the units will separate and the common shares and warrants will trade on an individual basis. The warrants will have a 5-year term, an exercise price equal to 140% of the Offering Price and will be redeemable by Frankly at such time as the closing price for the Frankly common shares is equal or greater than 200% the Offering Price for a period of twenty consecutive days. These terms are preliminary and subject to change.

Conference Call

Frankly management will hold a conference call today (May 19, 2017) at 4:30 p.m. Eastern time (1:30 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.

U.S. listen-only dial-in: 888-617-5714

International listen-only dial-in: 719-325-2499

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 Liolios 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 7:30 p.m. Eastern time through June 2, 2017.

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

International replay dial-in: 412-317-6671

Replay ID: 5624054

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.

The following unaudited table presents the reconciliation of net loss to Adjusted EBITDA for the years ended December 31, 2015 and 2016 and the three months ended March 31, 2016 and 2017:

	Year Ended December 31,		Three Months Ended March 31,	
	2015	2016	2016	2017
Net Loss	\$ (24,723,588)	\$ (10,710,942)	\$ (1,627,847)	\$ (1,503,819)
Interest Expense, net	300,420	1,266,096	220,936	610,205

Income tax expense	-	-	-	-
Depreciation and Amortization	1,156,143	3,398,491	795,256	1,066,731
Stock-based compensation	1,050,916	1,190,960	271,998	228,166
Impairment expense	12,195,985	4,209,000	-	-
Loss on disposal of assets	25,935	1,093	1,093	-
Transaction costs	1,271,854	-	-	-
Nasdaq listing fees	-	774,152	-	-
Other expense	251,987	205,681	341,212	27,017
Non-operating income	(86,767)	-	-	-
Adjusted EBITDA	<u>\$ (8,557,115)</u>	<u>\$ 334,531</u>	<u>\$ 2,648</u>	<u>\$ 428,300</u>

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. In particular, there can be no assurance as to the timing of the Offering, that the Offering will be consummated, or, if the company's stock is listed, that the company will be able to maintain minimum listing requirements with the NASDAQ Capital Market, or that we will establish Frankly as the de facto platform in traditional media's fundamental transformation to multi-screen content distribution. 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.prnswire.com/news-releases/frankly-reports-first-quarter-2017-financial-results-300460878.html>

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