Sequential Brands Group Announces Second Quarter 2018 Results and Completion of its Debt Refinancing

August 8, 2018

NEW YORK, Aug. 08, 2018 (GLOBE NEWSWIRE) -- Sequential Brands Group, Inc. ("Sequential" or the "Company") (Nasdaq:SQBG) today announced the completion of its debt refinancing and the financial results for the quarter and six months ended June 30, 2018.

"We're pleased with our second quarter results and the solid performance of our core brands," said Karen Murray, CEO of Sequential Brands Group. "The completion of our refinance strengthens our capital structure as we focus on executing on our growth strategy. We thank our lenders for their ongoing support."

Completion of Debt Refinancing:

On August 7, 2018, the Company entered into amended credit agreements with its existing lenders, led by Bank of America and certain funds managed by FS/KKR Advisor, LLC. This refinancing extends the first lien debt maturities to 2023 and the second lien to 2024, and improves our capital structure by shifting over $100 million of debt into the first lien credit facility, thereby, meaningfully reducing our weighted average interest rate.

Second Quarter 2018 Results:

As previously disclosed, effective January 1, 2018, the Company adopted a new revenue recognition standard ("ASC 606"), which impacted the Company's reported revenue. The Company adopted ASC 606 using the modified retrospective method, which means that the total amount of revenue reported for the 2017 periods has not been restated in the current financial statements. In the interest of comparability during the transition year to ASC 606, the Company will provide revenue, net income and earnings per share information in accordance with both ASC 606 and revenue recognition rules in effect prior to the adoption of ASC 606 ("ASC 605").

- Revenue for the second quarter 2018 was $42.2 million. Under ASC 605, revenue for the second quarter 2018 would have been $43.0 million, compared to $42.1 million in the second quarter 2017.
- On a GAAP basis, net income for the second quarter 2018 was $3.6 million or $0.06 per diluted share. Under ASC 605, GAAP net income for the second quarter 2018 would have been $4.0 million or $0.06 per diluted share, compared to $2.5 million or $0.04 per diluted share in the second quarter 2017.
- On a non-GAAP basis, net income for the second quarter 2018 was $7.2 million, or $0.11 per diluted share. Under ASC 605, non-GAAP net income for the second quarter 2018 would have been $7.8 million or $0.12 per diluted share, flat compared to second quarter 2017. See Non-GAAP Financial Measure Reconciliation tables below for a reconciliation of GAAP to non-GAAP measures.
- Adjusted EBITDA (defined under "Non-GAAP Financial Measures" below) for the second quarter 2018 was $24.7 million. Under ASC 605, Adjusted EBITDA for the second quarter 2018 would have been $25.3 million, compared to $24.7 million in the second quarter 2017.

Year-to-Date 2018 Results:

- Revenue for the six months ended June 30, 2018 was $80.3 million. Under ASC 605, revenue for the six months ended June 30, 2018 would have been $82.4 million, compared to $81.5 million in the prior year period.
- On a GAAP basis, net income for the six months ended June 30, 2018 was $1.3 million or $0.02 per diluted share. Under ASC 605, GAAP net income for the six months ended June 30, 2018 would have been $2.8 million or $0.04 per diluted share, compared to $1.4 million or $0.02 per diluted share in the prior year period.
- On a non-GAAP basis, net income for the six months ended June 30, 2018 was $10.8 million, or $0.17 per diluted share. Under ASC 605, non-GAAP net income for the six months ended June 30, 2018 would have been $12.7 million, or $0.20 per diluted share, compared to $13.6 million, or $0.21 per diluted share, in the prior year period. See Non-GAAP Financial Measure Reconciliation tables below for a reconciliation of GAAP to non-GAAP measures.
- Adjusted EBITDA for the six months ended June 30, 2018 was $45.9 million. Under ASC 605, Adjusted EBITDA for the six months ended June 30, 2018 would have been $47.8 million, compared to $47.7 million in the prior year period.

Investor Call and Webcast:

Management will provide further commentary today, August 8, 2018, on the Company's financial results and financial update via a conference call and webcast beginning at approximately 8:30 am ET. To join the conference call, please dial (877) 407-0789 or visit the investor relations page on the Company's website www.sequentialbrandsgroup.com. A replay of the conference call is available on the Company's website.

Non-GAAP Financial Measures:

This press release contains historical and projected measures of Adjusted EBITDA, non-GAAP net income and non-GAAP earnings per diluted share. The Company defines Adjusted EBITDA as net income attributable to Sequential Brands Group, Inc. and Subsidiaries, excluding interest income or expense, provision for income taxes, depreciation and amortization, deal advisory costs, non-cash compensation, costs incurred in connection with

CEO transition, Martha Stewart Living Omnimedia (MSLO) shareholder and pre- acquisition litigation costs, realized loss on the sale of available-for-sale securities, other non-cash items, loss on sale of assets, net of non-controlling interest, debt refinancing costs, and severance. Non-GAAP net income and non-GAAP earnings per share are non-GAAP financial measures which represent net income (loss) attributable to Sequential Brands Group, Inc. and Subsidiaries, excluding deal advisory costs, non-cash mark-to-market adjustments to stock-based compensation provided to non-employees, costs incurred in connection with CEO transition, MSLO shareholder and pre-acquisition litigation costs, realized loss on the sale of available-for-sale securities, other non-cash items, loss on sale of assets, net of non-controlling interest, debt refinancing costs, and adjustment to taxes. These non-GAAP metrics are an alternative to the information calculated under U.S. generally accepted accounting principles ("GAAP"), as provided in the reports the Company files with the Securities and Exchange Commission, may be inconsistent with similar measures presented by other companies and should only be used in conjunction with the Company's results reported according to GAAP. Any financial measure other than those prepared in accordance with GAAP should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. We consider these measures to be useful measures of our ongoing financial performance because they adjust for certain costs and other events that the Company believes are not representative of its core licensing business. See below for a reconciliation of these non-GAAP metrics from the most directly comparable GAAP measure.

About Sequential Brands Group, Inc.

Sequential Brands Group, Inc. (Nasdaq:SQBG) owns, promotes, markets, and licenses a portfolio of consumer brands in the home, active and fashion categories. Sequential seeks to ensure that its brands continue to thrive and grow by employing strong brand management, design and marketing teams. Sequential has licensed and intends to license its brands in a variety of consumer categories to retailers, wholesalers and distributors in the United States and around the world. For more information, please visit Sequential's website at: www.sequentialbrandsgroup.com. To inquire about licensing opportunities, please email: newbusiness@sbg-ny.com.

Forward-Looking Statements

Certain statements in this press release and oral statements made from time to time by representatives of the Company are forward- looking statements ("forward-looking statements") within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date hereof and are based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. The Company's actual results could differ materially from those stated or implied in forward-looking statements. Forward-looking statements include statements concerning potential refinancing, estimates of GAAP net income, non-GAAP net income, Adjusted EBITDA, revenue (including guaranteed minimum royalties), and margins, guidance, plans, objectives, goals, strategies, expectations, intentions, projections, developments, future events, performance or products, underlying assumptions and other statements that are not historical in nature, including those that include the words "subject to," "believes," "anticipates," "plans," "expects," "intends," "estimates," "forecasts," "projects," "aims," "targets," "may," "will," "should," "can," "future," "seek," "could," "predict," the negatives thereof, variations thereon and similar expressions. Such forward-looking statements reflect the Company's current views with respect to future events, based on what the Company believes are reasonable assumptions. Whether actual results will conform to expectations and predictions is subject to known and unknown risks and uncertainties, including: (i) risks and uncertainties discussed in the reports that the Company has filed with the Securities and Exchange Commission (the "SEC"); (ii) general economic, market or business conditions; (iii) the Company's ability to identify suitable targets for acquisitions and to obtain financing for such acquisitions on commercially reasonable terms; (iv) the Company's ability to timely achieve the anticipated results of recent acquisitions and any potential future acquisitions; (v) the Company's ability to successfully integrate acquisitions into its ongoing business; (vi) the potential impact of the consummation of recent acquisitions or any potential future acquisitions on the Company's relationships, including with employees, licensees, customers and competitors; (vii) the Company's ability to achieve and/or manage growth and to meet target metrics associated with such growth; (viii) the Company's ability to successfully attract new brands and to identify suitable licensees for its existing and newly acquired brands; (ix) the Company's substantial level of indebtedness, including the possibility that such indebtedness and related restrictive covenants may adversely affect the Company's future cash flows, results of operations and financial condition and decrease its operating flexibility; (x) the Company's ability to achieve its guidance; (xi) continued market acceptance of the Company's brands; (xii) changes in the Company's competitive position or competitive actions by other companies; (xiii) licensees' ability to fulfill their financial obligations to the Company; (xiv) concentrations of the Company's licensing revenues with a limited number of licensees and retail partners; and (xv) other circumstances beyond the Company's control. Refer to the section entitled "Risk Factors" set forth in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q for a discussion of important risks, uncertainties and other factors that may affect the Company's business, results of operations and financial condition. The Company's stockholders are urged to consider such risks, uncertainties and factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. The Company is not under any obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events or otherwise. Readers should understand that it is not possible to predict or identify all risks and uncertainties to which the Company may be subject. Consequently, readers should not consider such disclosures to be a complete discussion of all potential risks or uncertainties.

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SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2018 (Unaudited) As Reported ASC 606	December 31, 2017 As Reported ASC 605	(Unaudited) ASC 606 Adjustments	January 1, 2018 (Unaudited) ASC 606 Opening Balance Sheet
Assets				
Current Assets:				
Cash	$ 13,607	$ 18,902	$ -	$ 18,902
Restricted cash	2,033	1,531	-	1,531
Accounts receivable, net	61,738	60,102	6,335	66,437
Prepaid expenses and other current assets	12,717	8,635	-	8,635
Total current assets	90,095	89,170	6,335	95,505
Property and equipment, net	9,892	7,035	-	7,035
Intangible assets, net	983,393	995,170	-	995,170
Other assets	6,757	5,836	-	5,836
Total assets	$ 1,090,137	$ 1,097,211	$ 6,335	$ 1,103,546
Liabilities and Equity				
Current Liabilities:				
Accounts payable and accrued expenses	$ 13,264	$ 19,126	$ -	$ 19,126
Current portion of long-term debt	28,300	28,300	-	28,300
Current portion of deferred revenue	12,603	8,102	4,387	12,489
Total current liabilities	54,167	55,528	4,387	59,915
Long-term debt, net of current portion	589,430	602,297	-	602,297
Long-term deferred revenue, net of current portion	10,035	11,845	-	11,845
Deferred income taxes	69,746	67,799	463	68,262
Other long-term liabilities	9,712	6,204	-	6,204
Total liabilities	733,090	743,673	4,850	748,523
Equity:				
Preferred stock	-	-	-	-
Common stock	651	635	-	635
Additional paid-in capital	512,043	508,444	-	508,444
Accumulated other comprehensive income	293	80	-	80
Accumulated deficit	(222,916)	(225,369)	1,130	(224,239)
Treasury stock	(3,801)	(1,799)	-	(1,799)
Total Sequential Brands Group, Inc. and Subsidiaries stockholders' equity	286,270	281,991	1,130	283,121
Noncontrolling interests	70,777	71,547	355	71,902
Total equity	357,047	353,538	1,485	355,023
Total liabilities and equity	$ 1,090,137	$ 1,097,211	$ 6,335	$ 1,103,546

SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Three Months Ended June 30, 2018			2017
	As Reported ASC 606	Adjustments	ASC 605	As Reported ASC 605
Net revenue	$ 42,207	$ (778)	$ 42,985	$ 42,144
Operating expenses	18,449	-	18,449	17,900
Impairment charges	1,975	-	1,975	-

Income from operations	21,783	(778)	22,561	24,244
Other expense	31	-	31	1,801
Interest expense, net	15,647	-	15,647	14,877
Income before income taxes	6,105	(778)	6,883	7,566
Provision for income taxes	1,416	(165)	1,581	3,115
Net income	4,689	(613)	5,302	4,451
Net income attributable to noncontrolling interest	(1,102)	183	(1,285)	(1,921)
Net income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 3,587	$ (430)	$ 4,017	$ 2,530
Earnings per share attributable to Sequential Brands Group, Inc. and Subsidiaries:				
Basic	$ 0.06	$ (0.00)	$ 0.06	$ 0.04
Diluted	$ 0.06	$ (0.00)	$ 0.06	$ 0.04
Weighted-average common shares outstanding:				
Basic	63,583,280	63,583,280	63,583,280	62,925,565
Diluted	64,029,972	64,029,972	64,029,972	62,980,508

	Six Months Ended June 30,			
	2018			2017
	As Reported ASC 606	Adjustments	ASC 605	As Reported ASC 605
Net revenue	$ 80,311	$ (2,045)	$ 82,356	$ 81,544
Operating expenses	36,499	-	36,499	41,308
Loss on sale of asset	7,117	-	7,117	-
Income from operations	36,695	(2,045)	38,740	40,236
Other (income) expense	(104)	-	(104)	1,767
Interest expense, net	31,039	-	31,039	29,363
Income before income taxes	5,760	(2,045)	7,805	9,106
Provision for income taxes	1,375	(422)	1,797	3,700
Net income	4,385	(1,623)	6,008	5,406
Net income attributable to noncontrolling interest	(3,062)	180	(3,242)	(4,056)
Net income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 1,323	$ (1,443)	$ 2,766	$ 1,350
Earnings per share attributable to Sequential Brands Group, Inc. and Subsidiaries:				
Basic	$ 0.02	$ (0.02)	$ 0.04	$ 0.02
Diluted	$ 0.02	$ (0.02)	$ 0.04	$ 0.02
Weighted-average common shares outstanding:				
Basic	63,408,679	63,408,679	63,408,679	62,693,925
Diluted	64,329,308	64,329,308	64,329,308	62,911,394

SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash Provided By Operating Activities	$ 16,724	$ 16,041
Cash Provided By Investing Activities	478	5,305
Cash Used In Financing Activities	(21,995)	(20,745)
Net (Decrease) Increase In Cash and Restricted Cash	(4,793)	601
Balance — Beginning of period	20,433	20,654
Balance — End of period	$ 15,640	$ 21,255

Non-GAAP Financial Measure Reconciliation
(in thousands, except earnings per share data)

	(Unaudited) Three Months Ended June 30, 2018			2017
	ASC 606 (1)	Adjustments (2)	ASC 605 (2)	ASC 605 (2)
Reconciliation of GAAP net income to non-GAAP net income:				
GAAP net income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 3,587	$ (430)	$ 4,017	$ 2,530
Adjustments:				
Deal advisory costs (a)	474	-	474	450
Non-cash mark-to-market adjustments to stock-based compensation (b)	76	-	76	(86)
MSLO shareholder and pre-acquisition litigation (c)	355	-	355	97
Realized loss on the sale of available for sale securities (d)	-	-	-	1,916
Other non-cash items (e)	31	-	31	(115)
Loss on sale of asset, net (f)	1,260	-	1,260	-
Adjustment to taxes (g)	1,416	(165)	1,581	2,990
Total non-GAAP adjustments	3,612	(165)	3,777	5,252
Non-GAAP net income (3)	$ 7,199	$ (595)	$ 7,794	$ 7,782
Non-GAAP weighted-average diluted shares (h)	64,030	64,030	64,030	62,981

	(Unaudited) Three Months Ended June 30, 2018			2017
	ASC 606 (1)	Adjustments (2)	ASC 605 (2)	ASC 605 (2)
Reconciliation of GAAP Diluted EPS to non-GAAP Diluted EPS:				
GAAP earnings per share attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 0.06	$ (0.00)	$ 0.06	$ 0.04
Adjustments:				
Deal advisory costs (a)	0.01	-	0.01	0.01
Non-cash mark-to-market adjustments to stock-based compensation (b)	0.00	-	0.00	(0.00)
MSLO shareholder and pre-acquisition litigation (c)	0.00	-	0.00	0.00
Realized loss on the sale of available for sale securities (d)	-	-	-	0.03
Other non-cash items (e)	0.00	-	0.00	(0.00)
Loss on sale of asset, net (f)	0.02	-	0.02	-
Adjustment to taxes (g)	0.02	(0.01)	0.03	0.04
Total non-GAAP adjustments	$ 0.05	$ (0.01)	$ 0.06	$ 0.08
Non-GAAP earnings per share (3)	$ 0.11	$ (0.01)	$ 0.12	$ 0.12

	(Unaudited) Three Months Ended June 30, 2018			2017
	ASC 606 (1)	Adjustments (2)	ASC 605 (2)	ASC 605 (2)
Reconciliation of GAAP net income to Adjusted EBITDA:				
GAAP net income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 3,587	$ (430)	$ 4,017	$ 2,530
Adjustments:				
Provision for income taxes	1,416	(165)	1,581	3,115
Interest expense, net	15,647	-	15,647	14,877
Non-cash compensation	770	-	770	471
Depreciation and amortization	723	-	723	1,122
Deal advisory costs (a)	474	-	474	450

MSLO shareholder and pre-acquisition litigation (c)	355	-	355	97
Realized loss on the sale of available for sale securities (d)	-	-	-	1,916
Other non-cash items (e)	31	-	31	(115)
Loss on sale of asset, net (f)	1,260	-	1,260	-
Severance (i)	407	-	407	214
Total Adjustments	21,083	(165)	21,248	22,147
Adjusted EBITDA (4)	$ 24,670	$ (595)	$ 25,265	$ 24,677

Non-GAAP Financial Measure Reconciliation
(in thousands, except earnings per share data)

	(Unaudited) Six Months Ended June 30, 2018			2017
	ASC 606 (1)	Adjustments (2)	ASC 605 (2)	ASC 605 (2)
Reconciliation of GAAP net income to non-GAAP net income:				
GAAP net income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 1,323	$ (1,443)	$ 2,766	$ 1,350
Adjustments:				
Deal advisory costs (a)	771	-	771	482
Non-cash mark-to-market adjustments to stock-based compensation (b)	82	-	82	(374)
Costs incurred in connection with CEO transition (j)	-	-	-	6,713
MSLO shareholder and pre-acquisition litigation (c)	378	-	378	210
Realized loss on the sale of available for sale securities (d)	-	-	-	1,916
Other non-cash items (e)	88	-	88	(115)
Loss on sale of assets, net (f)	6,402	-	6,402	-
Debt refinancing costs (k)	373	-	373	-
Adjustment to taxes (g)	1,375	(422)	1,797	3,450
Total non-GAAP adjustments	9,469	(422)	9,891	12,282
Non-GAAP net income (3)	$ 10,792	$ (1,865)	$ 12,657	$ 13,632
Non-GAAP weighted-average diluted shares (h)	64,329	64,329	64,329	62,911

	(Unaudited) Six Months Ended June 30, 2018			2017
	ASC 606 (1)	Adjustments (2)	ASC 605 (2)	ASC 605 (2)
Reconciliation of GAAP Diluted EPS to non-GAAP Diluted EPS:				
GAAP earnings per share attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 0.02	$ (0.02)	$ 0.04	$ 0.02
Adjustments:				
Deal advisory costs (a)	0.01	-	0.01	0.01
Non-cash mark-to-market adjustments to stock-based compensation (b)	0.00	-	0.00	(0.01)
Costs incurred in connection with CEO transition (j)	-	-	-	0.11
MSLO shareholder and pre-acquisition litigation (c)	0.01	-	0.01	0.00
Realized loss on the sale of available for sale securities (d)	-	-	-	0.03
Other non-cash items (e)	0.00	-	0.00	(0.00)
Loss on sale of assets, net (f)	0.10	-	0.10	-
Debt refinancing costs (k)	0.01	-	0.01	-
Adjustment to taxes (g)	0.02	(0.01)	0.03	0.05
Total non-GAAP adjustments	$ 0.15	$ (0.01)	$ 0.16	$ 0.19

Non-GAAP earnings per share (3)	$ 0.17	$ (0.03)	$ 0.20	$ 0.21

	(Unaudited) Six Months Ended June 30, 2018			2017
	ASC 606 (1)	Adjustments (2)	ASC 605 (2)	ASC 605 (2)
Reconciliation of GAAP net income to Adjusted EBITDA:				
GAAP net income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ 1,323	$ (1,443)	$ 2,766	$ 1,350
Adjustments:				
Provision for income taxes	1,375	(422)	1,797	3,700
Interest expense, net	31,039	-	31,039	29,363
Non-cash compensation	2,116	-	2,116	1,462
Depreciation and amortization	1,628	-	1,628	2,415
Deal advisory costs (a)	771	-	771	482
Costs incurred in connection with CEO transition (j)	-	-	-	6,713
MSLO shareholder and pre-acquisition litigation (c)	378	-	378	210
Realized loss on the sale of available for sale securities (d)	-	-	-	1,916
Other non-cash items (e)	88	-	88	(115)
Loss on sale of assets, net (f)	6,402	-	6,402	-
Debt refinancing costs (k)	373	-	373	-
Severance (i)	397	-	397	214
Total Adjustments	44,567	(422)	44,989	46,360
Adjusted EBITDA (4)	$ 45,890	$ (1,865)	$ 47,755	$ 47,710

(1) Financial information identified as ASC 606 has been prepared in accordance with the new revenue recognition guidance adopted as of January 1, 2018.

(2) The Company adopted ASC 606 using the modified retrospective basis, which means that the revenue reported for 2017 has not been restated. For comparability during the transition from ASC 605 to ASC 606, financial information for 2018 is also shown as adjusted to the previous accounting guidance. The ASC 605 information for current year should be considered in addition to, not as a substitute for, the financial information prepared in accordance with ASC 606. There was no change to prior year presentation; financial information for prior year was prepared in accordance with ASC 605.

(3) Non-GAAP net income and non-GAAP earnings per share are non-GAAP financial measures which represent net income attributable to Sequential Brands Group, Inc. and Subsidiaries, excluding deal advisory costs, non-cash mark-to-market adjustments to stock-based compensation provided to non-employees, costs incurred in connection with CEO transition, MSLO shareholder and pre-acquisition litigation costs, realized loss on sale of available-for-sale securities, other non-cash items, loss on sale of assets, net of non-controlling interest, debt refinancing costs, and adjustments to taxes. Management uses this information to measure performance over time on a consistent basis and to identify business trends relating to the Company's financial condition and results of operations. Management believes that these non-GAAP measures are useful measures of ongoing financial performance because they adjust for certain costs and other events that the Company believes are not representative of its core licensing business.

(4) Adjusted EBITDA is defined as net income attributable to Sequential Brands Group, Inc. and Subsidiaries, excluding interest income or expense, provision for income taxes, depreciation and amortization, deal advisory costs, non-cash compensation, MSLO shareholder and pre-acquisition litigation costs, costs incurred in connection with CEO transition, realized loss on sale of available-for-sale securities, other non-cash items, loss on sale of assets, net of non-controlling interest, debt refinancing costs, and severance. Management uses Adjusted EBITDA as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to identify business trends relating to the Company's financial condition and results of operations.

(a) Represents deal advisory costs including legal, financial and accounting services that are not representative of the Company's day-to-day licensing business.

(b) Represents the non-cash mark-to-market adjustments to stock-based compensation provided to non-employees.

(c) Represents legal costs related to shareholder and pre-acquisition litigation matters associated with the Martha Stewart Living Omnimedia, Inc. acquisition.

(d) Represents the realized loss in connection with the sale of the Company's available-for-sale securities.

(e) Adjustments to estimated accruals previously recorded in conjunction with acquisitions.

(f) Represents loss on sale of asset related to the sale of FUL trademark completed in May 2018 for the three months ended June 30, 2018. Represents loss on sale of assets related to the sale of Revo trademark completed in April 2018, recognized in the first quarter of 2018, and the sale of FUL trademark completed in May 2018, net of non-controlling interest for the six months ended June 30, 2018.

(g) The Company does not expect to pay cash income taxes in 2018 as the Company's net operating losses and other tax benefits are expected to reduce any additional tax obligation. Adjustments in 2017 reflect that the Company expected to pay annual cash income taxes of $0.5 million as the Company's net operating losses and other tax benefits are expected to reduce any additional tax obligation.

(h) Represents weighted-average diluted shares the Company reported or would have reported if the Company had GAAP net income in the periods presented.

(i) Represents costs and adjustments to previously recorded costs associated with employee terminations not representative of the Company's day-to-day compensation costs.

(j) Represents $3.2 million in severance expense and $3.5 million in non-cash stock-based compensation expense in connection with the CEO transition for the six months ended June 30, 2017. The non-cash stock based compensation expense represents the accelerated vesting of previously granted stock awards, and was calculated based on the stock's April 2015 grant-date fair value of $14.33 per share in accordance with GAAP. The fair value of the shares on the termination date was $3.95 per share, or approximately $1.1 million total.

(k) Represents expenses for professional fees associated with the Company's efforts toward refinancing its debt facilities for the six months ended June 30, 2018.

Primary Logo

Source: Sequential Brands Group, Inc.