
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): March 6, 2019

SEQUENTIAL BRANDS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-37656
(Commission File Number)

47-4452789
(I.R.S. Employer Identification No.)

601 West 26th Street, 9th Floor, New York, NY 10001
(Address of Principal Executive Offices/Zip Code)

(646) 564-2577
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On March 6, 2019, Sequential Brands Group, Inc. (“Sequential”) issued a press release reporting its results of operations for the fourth quarter and full fiscal year ended December 31, 2018. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

As noted in the press release, Sequential has provided certain non-U.S. generally accepted accounting principles (“GAAP”) financial measures and a reconciliation of the non-U.S. GAAP measures to U.S. GAAP measures. Sequential believes these non-U.S. GAAP financial measures provide useful information to investors because they allow for a more direct understanding of Sequential’s business. Readers should consider non-U.S. GAAP measures in addition to, and not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP.

The information contained herein and in the press release furnished as an exhibit hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, is not subject to the liabilities of that section and is not deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing. In addition, the press release contains statements intended as “forward-looking statements” which are subject to the cautionary statements about forward-looking statements set forth in such press release.

Item 7.01. Regulation FD Disclosure

The information set forth in Item 2.02 above is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<u>Press release issued by Sequential on March 6, 2019 reporting fourth quarter and full fiscal year 2018 results of operations.</u>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sequential Brands Group, Inc.

Date: March 6, 2019

By: /s/ Peter Lops
Name: Peter Lops
Title: Chief Financial Officer

Sequential Brands Group Announces Fourth Quarter and Full Year 2018 Results

NEW YORK, March 06, 2019 (GLOBE NEWSWIRE) -- Sequential Brands Group, Inc. ("Sequential" or the "Company") (Nasdaq:SQBG) today announced financial results for the fourth quarter and full year ended December 31, 2018.

"2018 was a productive year for Sequential with strength across our portfolio of brands both with new and existing business," said Karen Murray, CEO of Sequential Brands Group. "Moving ahead, we continue to execute against our strategy of driving organic growth, improving our cost structure and strengthening our balance sheet."

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 is providing 2018 revenue, net income and earnings per share information in accordance with both ASC 606 and the prior year's revenue recognition rules, ASC 605.

Fourth Quarter 2018 Results:

- Revenue for the fourth quarter 2018 was \$48.9 million. Under ASC 605, revenue for the fourth quarter 2018 would have been \$49.9 million, compared to \$46.9 million in the fourth quarter 2017.
- On a GAAP basis, net loss for the fourth quarter 2018 was \$(2.2) million or \$(0.03) per diluted share. Under ASC 605, GAAP net loss for the fourth quarter 2018 would have been \$(1.2) million or \$(0.02) per diluted share, compared to the net loss of \$(162.9) million or \$(2.58) per diluted share in the fourth quarter 2017. Included in the net loss for the fourth quarter 2018 was a \$3.2 million expense related to a legacy litigation matter.
- On a non-GAAP basis, net income for the fourth quarter 2018 was \$7.8 million, or \$0.12 per diluted share. Under ASC 605, non-GAAP net income for the fourth quarter 2018 would have been \$9.0 million or \$0.14 per diluted share, compared to \$7.8 million, or \$0.12 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 (defined under "Non-GAAP Financial Measures" below) for the fourth quarter 2018 was \$25.0 million. Under ASC 605, Adjusted EBITDA for the fourth quarter 2018 would have been \$26.3 million, compared to \$27.4 million in the prior year quarter.

Year-to-Date 2018 Results:

- Revenue for the year ended December 31, 2018 was \$170.0 million. Under ASC 605, revenue for the year ended December 31, 2018 would have been \$173.5 million, compared to \$167.5 million in the prior year.
 - On a GAAP basis, net loss for the year ended December 31, 2018 was \$(10.5) million or \$(0.16) per diluted share. Under ASC 605, GAAP net loss for the year ended December 31, 2018 would have been \$(7.8) million or \$(0.12) per diluted share, compared to the net loss of \$(185.7) million or \$(2.95) per diluted share in the prior year. Included in the net loss for the year ended December 31, 2018 was a \$3.2 million expense related to a legacy litigation matter, a \$4.2 million expense related to a settlement with a licensee as part of a strategic shift to a direct-to-retail license with Walmart for the *AVIA* brand and non-cash impairment charges of \$17.9 million related to trademarks of two of the Company's brands.
 - On a non-GAAP basis, net income for the year ended December 31, 2018 was \$21.2 million, or \$0.33 per diluted share. Under ASC 605, non-GAAP net income for the year ended December 31, 2018 would have been \$24.8 million, or \$0.38 per diluted share, compared to \$27.9 million, or \$0.44 per diluted share, in the prior year. Non-GAAP net income for the year ended December 31, 2018 includes a \$4.2 million expense as indicated above. See Non-GAAP Financial Measure Reconciliation tables below for a reconciliation of GAAP to non-GAAP measures.
 - Adjusted EBITDA for the year ended December 31, 2018 was \$91.5 million. Under ASC 605, Adjusted EBITDA for the year ended December 31, 2018 would have been \$95.1 million, compared to \$98.4 million in the prior year. Adjusted EBITDA for the year ended December 31, 2018 includes a \$4.2 million expense as mentioned above. Excluding this expense, Adjusted EBITDA would have been \$99.3 million.
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Investor Call and Webcast:

Management will provide further commentary today, March 6, 2019, 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 provision for (benefit from) income taxes, interest income or expense, non-cash compensation, depreciation and amortization, deal advisory costs, Martha Stewart Living Omnimedia (MSLO) shareholder and pre-acquisition litigation costs, write-off of deferred financing costs, debt refinancing costs, non-cash mark-to-market adjustments to equity securities, loss on sale of assets, net of non-controlling interest, non-cash impairment of trademarks, net of non-controlling interest, realized loss on the sale of equity securities, costs incurred in connection with CEO transition, MSLO pre-acquisition sales tax refunds, other non-cash items 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, MSLO shareholder and pre-acquisition litigation costs, write-off of deferred financing costs, debt refinancing costs, non-cash mark-to-market adjustments to equity securities, loss on sale of assets, net of non-controlling interest, non-cash impairment of trademarks, net of non-controlling interest, realized loss on the sale of equity securities, costs incurred in connection with CEO transition, MSLO pre-acquisition sales tax refunds, other non-cash items and adjustments 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 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.

For Media and Investor Relations inquiries, contact:

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

	December 31, 2018	December 31, 2017		January 1, 2018
	(Unaudited) As Reported ASC 606	As Reported ASC 605	(Unaudited) ASC 606 Adjustments	(Unaudited) ASC 606 Opening Balance Sheet
<u>Assets</u>				
Current Assets:				
Cash	\$ 14,106	\$ 18,902	\$ -	\$ 18,902
Restricted cash	2,032	1,531	-	1,531
Accounts receivable, net	66,202	60,102	6,335	66,437
Prepaid expenses and other current assets	11,224	8,635	-	8,635
Total current assets	<u>93,564</u>	<u>89,170</u>	<u>6,335</u>	<u>95,505</u>
Property and equipment, net	8,971	7,035	-	7,035
Intangible assets, net	964,911	995,170	-	995,170
Other assets	11,222	5,836	-	5,836
Total assets	<u>\$ 1,078,668</u>	<u>\$ 1,097,211</u>	<u>\$ 6,335</u>	<u>\$ 1,103,546</u>
<u>Liabilities and Equity</u>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 23,527	\$ 19,126	\$ -	\$ 19,126
Current portion of long-term debt	28,300	28,300	-	28,300
Current portion of deferred revenue	11,695	8,102	4,387	12,489
Total current liabilities	<u>63,522</u>	<u>55,528</u>	<u>4,387</u>	<u>59,915</u>
Long-term debt, net of current portion	582,487	602,297	-	602,297
Long-term deferred revenue, net of current portion	8,224	11,845	-	11,845
Deferred income taxes	67,002	67,799	463	68,262
Other long-term liabilities	12,789	6,204	-	6,204
Total liabilities	<u>734,024</u>	<u>743,673</u>	<u>4,850</u>	<u>748,523</u>
Equity:				
Preferred stock	-	-	-	-
Common stock	657	635	-	635
Additional paid-in capital	513,764	508,444	-	508,444
Accumulated other comprehensive (loss) income	(1,554)	80	-	80
Accumulated deficit	(234,723)	(225,369)	1,130	(224,239)
Treasury stock	(4,226)	(1,799)	-	(1,799)
Total Sequential Brands Group, Inc. and Subsidiaries stockholders' equity	<u>273,918</u>	<u>281,991</u>	<u>1,130</u>	<u>283,121</u>
Noncontrolling interests	70,726	71,547	355	71,902
Total equity	<u>344,644</u>	<u>353,538</u>	<u>1,485</u>	<u>355,023</u>
Total liabilities and equity	<u>\$ 1,078,668</u>	<u>\$ 1,097,211</u>	<u>\$ 6,335</u>	<u>\$ 1,103,546</u>

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

	Three Months Ended December 31,			
	2018			2017
	As Reported ASC 606	Adjustments	ASC 605	As Reported ASC 605
Net revenue	\$ 48,874	\$ (1,043)	\$ 49,917	\$ 46,895
Operating expenses	27,753	226	27,527	22,064
Impairment charges	-	-	-	304,123
Income (loss) from operations	21,121	(1,269)	22,390	(279,292)
Other expense	828	-	828	30
Interest expense, net	15,478	-	15,478	15,291
Income (loss) before income taxes	4,815	(1,269)	6,084	(294,613)
Provision for (benefit from) income taxes	6,144	(292)	6,436	(132,393)
Net loss	(1,329)	(977)	(352)	(162,220)
Net income attributable to noncontrolling interest	(863)	(8)	(855)	(668)
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	<u>\$ (2,192)</u>	<u>\$ (985)</u>	<u>\$ (1,207)</u>	<u>\$ (162,888)</u>
Loss per share attributable to Sequential Brands Group, Inc. and Subsidiaries:				
Basic and diluted	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (2.58)
Weighted-average common shares outstanding:				
Basic and diluted	<u>64,061,983</u>	<u>64,061,983</u>	<u>64,061,983</u>	<u>63,055,188</u>
	Year Ended December 31,			
	2018			2017
	As Reported ASC 606	Adjustments	ASC 605	As Reported ASC 605
Net revenue	\$ 169,956	\$ (3,553)	\$ 173,509	\$ 167,464
Operating expenses	87,767	226	87,541	79,443
Impairment charges	17,899	-	17,899	340,628
Loss on sale of assets	7,117	-	7,117	-
Income (loss) from operations	57,173	(3,779)	60,952	(252,607)
Other expense	693	-	693	1,583
Interest expense, net	62,152	-	62,152	59,891
Loss before income taxes	(5,672)	(3,779)	(1,893)	(314,081)
(Benefit from) provision for income taxes	(694)	(869)	175	(132,535)
Net loss	(4,978)	(2,910)	(2,068)	(181,546)
Net income attributable to noncontrolling interest	(5,506)	177	(5,683)	(4,172)
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	<u>\$ (10,484)</u>	<u>\$ (2,733)</u>	<u>\$ (7,751)</u>	<u>\$ (185,718)</u>
Loss per share attributable to Sequential Brands Group, Inc. and Subsidiaries:				
Basic and diluted	\$ (0.16)	\$ (0.04)	\$ (0.12)	\$ (2.95)
Weighted-average common shares outstanding:				
Basic and diluted	<u>63,700,081</u>	<u>63,700,081</u>	<u>63,700,081</u>	<u>62,861,743</u>

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

	Year Ended December 31,	
	2018	2017
Cash Provided By Operating Activities	\$ 32,900	\$ 28,210
Cash (Used In) Provided By Investing Activities	(172)	2,863
Cash Used In Financing Activities	(37,023)	(31,294)
Net Decrease In Cash and Restricted Cash	(4,295)	(221)
Balance — Beginning of year	20,433	20,654
Balance — End of year	<u>\$ 16,138</u>	<u>\$ 20,433</u>

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

	(Unaudited)			
	Three Months Ended December 31,			
	2018		2017	
	ASC 606 ⁽¹⁾	Adjustments ⁽²⁾	ASC 605 ⁽²⁾	ASC 605 ⁽²⁾
Reconciliation of GAAP net loss to non-GAAP net income:				
GAAP net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	\$ (2,192)	\$ (985)	\$ (1,207)	\$ (162,888)
Adjustments:				
Deal advisory costs (a)	315	-	315	347
Non-cash mark-to-market adjustments to stock-based compensation (b)	(298)	-	(298)	(124)
MSLO shareholder and pre-acquisition litigation (c)	2,894	-	2,894	(38)
Debt refinancing costs (d)	43	-	43	-
Non-cash mark-to-market adjustments to equity securities (e)	858	-	858	-
Non-cash impairment of trademarks, net (f)	-	-	-	302,818
Other non-cash items (g)	-	-	-	230
Adjustment to taxes (h)	6,144	(292)	6,436	(132,518)
Total non-GAAP adjustments	9,956	(292)	10,248	170,715
Non-GAAP net income (3)	\$ 7,764	\$ (1,277)	\$ 9,041	\$ 7,827
Non-GAAP weighted-average diluted shares (i)	64,316	64,316	64,316	63,086

	(Unaudited)			
	Three Months Ended December 31,			
	2018		2017	
	ASC 606 ⁽¹⁾	Adjustments ⁽²⁾	ASC 605 ⁽²⁾	ASC 605 ⁽²⁾
Reconciliation of GAAP Diluted EPS to non-GAAP Diluted EPS:				
GAAP loss per share attributable to Sequential Brands Group, Inc. and Subsidiaries	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (2.58)
Adjustments:				
Deal advisory costs (a)	0.00	-	0.00	0.00
Non-cash mark-to-market adjustments to stock-based compensation (b)	(0.00)	-	(0.00)	(0.00)
MSLO shareholder and pre-acquisition litigation (c)	0.05	-	0.05	(0.00)
Debt refinancing costs (d)	0.00	-	0.00	-
Non-cash mark-to-market adjustments to equity securities (e)	0.01	-	0.01	-
Non-cash impairment of trademarks, net (f)	-	-	-	4.80
Other non-cash items (g)	-	-	-	0.00
Adjustment to taxes (h)	0.09	(0.01)	0.10	(2.10)
Total non-GAAP adjustments	\$ 0.15	\$ (0.01)	\$ 0.16	\$ 2.70
Non-GAAP earnings per share (3)	\$ 0.12	\$ (0.02)	\$ 0.14	\$ 0.12

	(Unaudited)			
	Three Months Ended December 31,			
	2018		2017	
	ASC 606 ⁽¹⁾	Adjustments ⁽²⁾	ASC 605 ⁽²⁾	ASC 605 ⁽²⁾
Reconciliation of GAAP net loss to Adjusted EBITDA:				
GAAP net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	\$ (2,192)	\$ (985)	\$ (1,207)	\$ (162,888)
Adjustments:				
Provision for (benefit from) income taxes	6,144	(292)	6,436	(132,393)
Interest expense, net	15,478	-	15,478	15,291
Non-cash compensation	325	-	325	2,068
Depreciation and amortization	1,033	-	1,033	1,244
Deal advisory costs (a)	315	-	315	347
MSLO shareholder and pre-acquisition litigation (c)	2,894	-	2,894	(38)
Debt refinancing costs (d)	43	-	43	-
Non-cash mark-to-market adjustments to equity securities (e)	858	-	858	-
Non-cash impairment of trademarks, net (f)	-	-	-	302,818
Other non-cash items (g)	-	-	-	230
Severance (j)	121	-	121	706
Total Adjustments	<u>27,211</u>	<u>(292)</u>	<u>27,503</u>	<u>190,273</u>
Adjusted EBITDA (4)	<u>\$ 25,019</u>	<u>\$ (1,277)</u>	<u>\$ 26,296</u>	<u>\$ 27,385</u>

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

	(Unaudited)			
	Year Ended December 31,			
	2018		2017	
	ASC 606 ⁽¹⁾	Adjustments ⁽²⁾	ASC 605 ⁽²⁾	ASC 605 ⁽²⁾
Reconciliation of GAAP net loss to non-GAAP net income:				
GAAP net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	\$ (10,484)	\$ (2,733)	\$ (7,751)	\$ (185,718)
Adjustments:				
Deal advisory costs (a)	1,402	-	1,402	1,262
Non-cash mark-to-market adjustments to stock-based compensation (b)	(321)	-	(321)	(549)
MSLO shareholder and pre-acquisition litigation (c)	4,740	-	4,740	521
Write-off of deferred financing costs (k)	148	-	148	-
Debt refinancing costs (d)	1,174	-	1,174	-
Non-cash mark-to-market adjustments to equity securities (e)	858	-	858	-
Loss on sale of assets, net (l)	6,402	-	6,402	-
Non-cash impairment of trademarks, net (f)	17,899	-	17,899	336,689
Realized loss on the sale of equity securities (m)	-	-	-	1,916
Costs incurred in connection with CEO transition (n)	-	-	-	6,713
MSLO pre-acquisition sales tax refunds (o)	-	-	-	(115)
Other non-cash items (g)	88	-	88	230
Adjustment to taxes (h)	(694)	(869)	175	(133,035)
Total non-GAAP adjustments	31,696	(869)	32,565	213,632
Non-GAAP net income (3)	\$ 21,212	\$ (3,602)	\$ 24,814	\$ 27,914
Non-GAAP weighted-average diluted shares (i)	64,992	64,992	64,992	63,093

	(Unaudited)			
	Year Ended December 31,			
	2018		2017	
	ASC 606 ⁽¹⁾	Adjustments ⁽²⁾	ASC 605 ⁽²⁾	ASC 605 ⁽²⁾
Reconciliation of GAAP Diluted EPS to non-GAAP Diluted EPS:				
GAAP loss per share attributable to Sequential Brands Group, Inc. and Subsidiaries	\$ (0.16)	\$ (0.04)	\$ (0.12)	\$ (2.95)
Adjustments:				
Deal advisory costs (a)	0.02	—	0.02	0.02
Non-cash mark-to-market adjustments to stock-based compensation (b)	(0.00)	—	(0.00)	(0.01)
MSLO shareholder and pre-acquisition litigation (c)	0.07	—	0.07	0.01
Write-off of deferred financing costs (k)	0.00	—	0.00	—
Debt refinancing costs (d)	0.02	—	0.02	—
Non-cash mark-to-market adjustments to equity securities (e)	0.01	—	0.01	—
Loss on sale of assets, net (l)	0.10	—	0.10	—
Non-cash impairment of trademarks, net (f)	0.28	—	0.28	5.34
Realized loss on the sale of equity securities (m)	—	—	—	0.03
Costs incurred in connection with CEO transition (n)	—	—	—	0.11
MSLO pre-acquisition sales tax refunds (o)	—	—	—	(0.00)
Other non-cash items (g)	0.00	—	0.00	0.00
Adjustment to taxes (h)	(0.01)	(0.01)	(0.00)	(2.11)
Total non-GAAP adjustments	\$ 0.49	\$ (0.01)	\$ 0.50	\$ 3.39
Non-GAAP earnings per share (3)	\$ 0.33	\$ (0.05)	\$ 0.38	\$ 0.44

	(Unaudited)			
	Year Ended December 31,			
	2018		2017	
	ASC 606 ⁽¹⁾	Adjustments ⁽²⁾	ASC 605 ⁽²⁾	ASC 605 ⁽²⁾
Reconciliation of GAAP net loss to Adjusted EBITDA and Adjusted Free Cash Flow:				
GAAP net loss attributable to Sequential Brands Group, Inc. and Subsidiaries				
	\$ (10,484)	\$ (2,733)	\$ (7,751)	\$ (185,718)
Adjustments:				
(Benefit from) provision for income taxes	(694)	(869)	175	(132,535)
Interest expense, net	62,004	-	62,004	59,891
Non-cash compensation	3,842	-	3,842	3,852
Depreciation and amortization	3,366	-	3,366	4,787
Deal advisory costs (a)	1,402	-	1,402	1,262
MSLO shareholder and pre-acquisition litigation (c)	4,740	-	4,740	521
Write-off of deferred financing costs (k)	148	-	148	-
Debt refinancing costs (d)	1,174	-	1,174	-
Non-cash mark-to-market adjustments to equity securities (e)	858	-	858	-
Loss on sale of assets, net (l)	6,402	-	6,402	-
Non-cash impairment of trademarks, net (f)	17,899	-	17,899	336,689
Realized loss on the sale of equity securities (m)	-	-	-	1,916
Costs incurred in connection with CEO transition (n)	-	-	-	6,713
MSLO pre-acquisition sales tax refunds (o)	-	-	-	(115)
Other non-cash items (g)	88	-	88	230
Severance (j)	706	-	706	920
Total Adjustments	101,935	(869)	102,804	284,131
Adjusted EBITDA (4)	\$ 91,451	\$ (3,602)	\$ 95,053	\$ 98,413
Adjustments:				
Cash Interest	(58,681)	-	(58,681)	(55,755)
Cash Taxes	(90)	-	(90)	(163)
Capital Expenditures	(4,233)	-	(4,233)	(3,061)
Adjusted Free Cash Flow (5)	\$ 28,447	\$ (3,602)	\$ 32,049	\$ 39,434

- (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, Martha Stewart Living Omnimedia (MSLO) shareholder and pre-acquisition litigation costs, write-off of deferred financing costs, debt refinancing costs, non-cash mark-to-market adjustments on equity securities, loss on sale of assets, net of non-controlling interest, non-cash impairment of trademarks, net of non-controlling interest, realized loss on the sale of equity securities, costs incurred in connection with CEO transition, other non-cash items, MSLO pre-acquisition sales tax refunds, other non-cash items 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 (benefit from) provision for income taxes, interest income or expense, non-cash compensation, depreciation and amortization, deal advisory costs, MSLO shareholder and pre-acquisition litigation costs, write-off of deferred financing costs, debt refinancing costs, non-cash mark-to-market adjustments on equity securities, loss on sale of assets, net of non-controlling interest, non-cash impairment of trademarks, net of non-controlling interest, realized loss on the sale of equity securities, costs incurred in connection with CEO transition, MSLO pre-acquisition sales tax refunds, other non-cash items 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.

- (5) Adjusted Free Cash Flow is calculated as Adjusted EBITDA less cash interest, cash taxes, and capital expenditures. Adjusted Free Cash Flow excludes items that are not core to our business, such as balance sheet changes and costs related to prior acquisitions.
- (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 expenses for professional fees associated with the Company's efforts toward and the refinancing of its debt facilities for the year ended December 31, 2018.
 - (e) Represents the non-cash mark-to-market adjustments to equity securities.
 - (f) Represents non-cash impairment charges, net of non-controlling interest, related to the Company's indefinite-lived intangible assets for certain brands.
 - (g) Adjustments to estimated accruals previously recorded in conjunction with acquisitions.
 - (h) The Company does not expect to pay material 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.
 - (i) Represents weighted-average diluted shares the Company reported or would have reported if the Company had GAAP net income in the periods presented.
 - (j) Represents costs and adjustments to previously recorded costs associated with employee terminations not representative of the Company's day-to-day compensation costs.
 - (k) Represents the write-off of deferred financing costs as a result of the extinguishment treatment of a portion of the Company's refinanced debt facilities.
 - (l) 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 year ended December 31, 2018.
 - (m) Represents the realized loss in connection with the sale of the Company's equity securities.
 - (n) 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.
 - (o) Represents sales tax refund received related to years prior to the acquisition of MSLO.
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