



REGAN ARTS

2015 Year End Review

January 7, 2016

Judith Regan, CEO

Executive Summary

- Preliminary Revenue of \$6.3M, +7.5% or \$0.4M versus plan, a reserve of \$1.2M for returns is included
- Through November 38 titles have been shipped via Simon & Schuster (revenue booked in the financials)
 - 11 Titles have revenue greater than \$100k, represents 79% of total revenue
- 8% or \$0.5M of revenue comes from eBooks
- Royalty Advances \$3.2M have been paid, \$1.75M for books in print and \$1.5M not yet printed
 - Through November \$1.0M has been earned against the \$1.75M
 - A reserve of \$0.8M is in the accounts to cover any unearned advance
- As of October inventory is \$0.3M, a reserve of \$0.1M is currently held against this balance
- During the year \$5.1M in funding was received against a plan of \$5.1M
 - Ended the year with \$1.1M in the bank
- Ended the year with a Gross Margin of 43% versus 37%, positive variance driven by lower PPB and plant expense
- Other expenses \$0.8M or 17% lower than plan driven by savings in M&P (\$0.6M) and lower salaries (\$0.2M)
- EBIT loss of \$1.6M better than plan by \$1.1M or 41%

Preliminary Financials – FY 2015

	Actuals Q1 2015	Actuals Q2 2015	Actuals Q3 2015	Estimate Q4 2015	FY 2015	Plan Q1 2015	Plan Q2 2015	Plan Q3 2015	Plan Q4 2015	Plan FY 2015	Variance \$ %	
Revenue (Core)	874,782	2,366,194	1,326,331	2,707,572	7,274,879	431,842	2,106,173	1,506,538	1,902,188	5,946,742	1,328,137	22.3%
Revenue (Other)	48,600	18,987	115,241	54,137	236,965	0	0	0	(94,742)	(94,742)	331,707	N/A
Reserve for Returns	0	0	0	(1,223,861)	(1,223,861)	0	0	0	0	0	(1,223,861)	N/A
	923,382	2,385,181	1,441,572	1,537,848	6,287,983	431,842	2,106,173	1,506,538	1,807,446	5,852,000	435,983	7.5%
<u>Direct Expenses</u>												
PPB	206,825	159,043	318,050	41,043	724,961	57,293	283,222	220,429	364,625	925,569	(200,607)	-21.7%
Freight	5,256	5,102	7,454	4,306	22,118	6,574	29,091	21,040	28,450	85,155	(63,037)	-74.0%
Plant Expense	139,176	86,595	109,357	55,929	391,057	76,398	274,333	186,449	286,683	823,863	(432,806)	-52.5%
Royalties	142,050	562,791	306,909	651,199	1,662,949	103,642	505,482	361,569	433,787	1,404,480	258,469	18.4%
Provision/Direct Charges	62,902	170,563	86,245	454,763	774,473	34,547	168,494	120,523	144,596	468,160	306,313	65.4%
	556,209	984,094	828,015	1,207,241	3,575,559	278,455	1,260,622	910,010	1,258,141	3,707,227	(131,668)	-3.6%
Gross Margin	367,173	1,401,087	613,557	330,607	2,712,424	153,388	845,552	596,528	549,306	2,144,773	567,651	26.5%
GM%	39.8%	58.7%	42.6%	21.5%	43.1%	35.5%	40.1%	39.6%	30.4%	36.7%		
<u>Other Expenses</u>												
Third Party - Sales & Distribution (S&S)	106,360	296,602	226,763	366,021	995,746	51,821	252,741	180,785	216,894	702,240	293,506	41.8%
M&P	44,120	118,894	84,542	50,325	297,881	335,000	193,500	278,500	153,000	960,000	(662,119)	-69.0%
Salaries	516,930	513,963	542,497	577,440	2,150,830	579,420	579,420	579,420	579,420	2,317,680	(166,850)	-7.2%
Other Overheads	142,783	156,822	360,989	162,096	822,690	201,900	201,900	201,900	212,900	818,600	4,090	0.5%
	810,193	1,086,281	1,214,791	1,155,883	4,267,148	1,168,141	1,227,561	1,240,605	1,162,214	4,798,520	(824,878)	-17.2%
EBIT	(443,020)	314,806	(601,234)	(825,275)	(1,554,724)	(1,014,753)	(382,009)	(644,077)	(612,908)	(2,653,747)	1,099,023	41.4%

* December results not yet posted, final data to be received end of January from S&S

Financial Notes & Assumptions

- December results not yet available from S&S, revenue currently estimated at \$0.7M
- December includes a reserve for returns of \$1.2M (Brings titles with a return % lower than 30% up to 30%, titles with returns above 30% are excluded)
- December PPB and Plant expense based on YTD November Monthly average
- December Royalty expense includes a placeholder of \$450k to cover profit sharing titles (ISIS, Strong Looks Better & Restless Books)
- December Provision for Inventory & Unearned advances includes a placeholder of \$250k, will cover any unearned advance exposure of books in print
- Other Expenses:
 - M&P based on 11 month average
 - Other Overheads based on 11 month average
 - Third Party Distribution 12% of estimated revenue

Titles with Revenue above \$100k

	Total Sales							% Returns	
	Units Shipped	Revenue	Units Returned	Return \$	Net Revenue \$	eBook Units	ebook Revenue		Total Revenue
My Fight	150,641	2,100,644	15,606	(218,725)	1,881,919	22,952	236,848	2,118,767	-10.4%
Strong Looks Better	84,979	1,162,707	23	(317)	1,162,390	0	0	1,162,390	0.0%
ISIS	54,920	400,062	2,767	(20,814)	379,248	12,580	92,752	472,000	-5.2%
Out Came the Sun	21,455	297,140	7,827	(109,355)	187,785	4,725	39,906	227,691	-36.8%
The Road To Happiness	12,856	177,721	263	(3,583)	174,138	34	222	174,360	-2.0%
How Dante can save the World	12,664	194,709	2,709	(41,863)	152,846	2,001	16,983	169,829	-21.5%
Bien Cuit	6,637	169,500	0	0	169,500	2	28	169,528	0.0%
Strong Looks Better	10,016	139,217	0	0	139,217	799	7,265	146,482	0.0%
Ingredients	7,439	131,691	22	(398)	131,293	236	2,411	133,704	-0.3%
Sporting Guide	7,359	114,949	4	(61)	114,889	132	1,409	116,297	-0.1%
Empire	11,849	117,577	1,088	(10,858)	106,719	15	132	106,851	-9.2%
	380,815	5,005,917	30,309	(405,973)	4,599,943	43,476	397,956	4,997,899	-8.1%

* Does not include December 2015 Revenue, data not yet available

Royalty Advances above \$50k

Title	Advance	Nov YTD Expense	Balance
Books in Print			
Rousey Novels/Memoir	458,334	578,695	(120,361)
Bien Cuit	270,000	25,743	244,257
Out Came the Sun	215,000	77,959	137,041
Strong Looks Better Naked	215,000	0	215,000 *
How Dante Can Save your Life	150,000	43,838	106,162
Road to Hapiness (Linda Gray)	120,000	48,758	71,242
Why	70,000	0	70,000 *
The Art of the Pimp	56,334	14,265	42,069
Sporting Guide	55,000	13,511	41,489
	<u>1,609,668</u>	<u>802,769</u>	<u>806,899</u>

* Books Printed in December and/or on Profit Share, expense to be calculated at year end

Books Not Yet in Print

Drone Warrior	300,000	0	300,000
Gospel of War	100,000	0	100,000
Macklemore	87,500	0	87,500
Rodger Memoir	70,000	0	70,000
Found	68,750	0	68,750
Toback	62,500	0	62,500
KooKooLand	56,667	0	56,667
	<u>745,417</u>	<u>0</u>	<u>745,417</u>

Inventory as at October 2015

	Oct-15 Closing Units	Oct-15 Stock Value		Oct-15 Closing Units	Oct-15 Stock Value
<u>Regan Arts Title</u>			<u>Restless Books</u>		
Virtual Reality	16,946	70,134	Letters to Yeyito	1,677	2,598
Strong Looks Better Naked	37,143	62,141	A Legend of the Future	1,465	1,931
Bien Cuit	8,034	42,677	A Planet for Rent	1,007	1,417
Sporting Guide	6,815	20,883	Where the Bird Sings	383	369
Mega Weird	5,575	17,025	Captivity	4	20
Empire	11,751	16,300	Between Clay & Dust	3	6
Jimmie Lee	5,060	10,711		<u>4,539</u>	<u>6,342</u>
My Fight	6,010	10,568			
Art of the Pimp	3,737	9,241			
How Dante Can Save your Life	4,291	7,806			
Out Came the Sun	1,910	5,010			
Alligiance	2,248	4,904			
Invisible Girl	4,091	4,206			
Wall Street Wars	2,441	4,117			
Gluten Lie	2,439	3,785			
Little Book of Lunch	1,630	3,522			
Road To Happiness	2,217	3,376			
Badge of Evil	1,912	3,116			
Dillie The Deer	2,028	2,852			
Lolito	1,710	2,841			
Dirty Little Secrets of College	1,544	2,493			
At Night She Cries	1,338	2,170			
Out Came the Sun	973	1,923			
Depth	996	1,572			
The Nakeds	844	1,274			
Immunity	352	719			
The Lie of Do What You Love	397	596			
Invaders	319	511			
Ingredients	154	461			
Journey of the Heroic Parent	52	84			
ISIS	22	10			
	<u>134,979</u>	<u>317,027</u>			

November YTD Revenue - Regan Arts All Titles

Regan Arts

	Total Sales						% Returns	
	Units Shipped	Revenue	Units Returned	Return \$	Net Revenue \$	eBook Units		ebook Revenue
My Fight	150,641	2,100,644	15,606	(218,725)	1,881,919	22,952	236,848	-10.4%
Strong Looks Better	84,979	1,162,707	23	(317)	1,162,390	0	0	0.0%
ISIS	54,920	400,062	2,767	(20,814)	379,248	12,580	92,752	-5.2%
Out Came the Sun	21,455	297,140	7,827	(109,355)	187,785	4,725	39,906	-36.8%
The Road To Happiness	12,856	177,721	263	(3,583)	174,138	34	222	-2.0%
Bien Cuit	6,637	169,500	0	0	169,500	2	28	0.0%
How Dante can save the World	12,664	194,709	2,709	(41,863)	152,846	2,001	16,983	-21.5%
Strong Looks Better	10,016	139,217	0	0	139,217	799	7,265	0.0%
Ingredients	7,439	131,691	22	(398)	131,293	236	2,411	-0.3%
Sporting Guide	7,359	114,949	4	(61)	114,889	132	1,409	-0.1%
Empire	11,849	117,577	1,088	(10,858)	106,719	15	132	-9.2%
Allegiance	8,170	117,529	1,399	(20,051)	97,478	778	6,197	-17.1%
Dillie The Deer	5,891	76,664	0	0	76,664	11	87	0.0%
Dirty Secrets College	6,727	80,385	985	(11,686)	68,699	233	1,731	-14.5%
My Fight signed Edition	5,172	68,926	26	(375)	68,551	0	0	-0.5%
Do What You Love	7,976	73,370	737	(7,533)	65,838	188	1,495	-10.3%
Gluten Lie	6,952	87,334	2,149	(27,439)	59,895	969	7,929	-31.4%
Invisible Girl	9,208	95,170	3,570	(37,144)	58,026	395	2,811	-39.0%
Wall Street Wars	6,337	92,532	2,495	(36,196)	56,335	178	1,700	-39.1%
Badge of Evil	6,029	84,017	2,147	(29,791)	54,226	264	2,071	-35.5%
The Invaders	4,773	64,402	851	(11,704)	52,698	2,619	20,430	-18.2%
At Night She Cries	6,513	84,995	2,594	(34,004)	50,991	295	2,093	-40.0%
Art of the Pimp	9,206	128,681	5,720	(79,242)	49,439	1,923	18,227	-61.6%
Journey of the Heroic Parent	4,920	65,708	1,557	(20,953)	44,756	948	3,502	-31.9%
The Naked	6,806	87,086	3,331	(43,270)	43,816	581	4,680	-49.7%
Immunity	5,162	69,392	2,134	(28,983)	40,409	1,026	8,028	-41.8%
Jimme Lee	7,207	108,467	4,935	(74,001)	34,466	108	1,008	-68.2%
Little Book of Lunch	3,993	48,948	1,150	(14,766)	34,181	76	621	-30.2%
Depth	5,336	69,495	2,881	(37,752)	31,744	742	5,883	-54.3%
Lolito	4,031	31,438	305	(2,357)	29,080	64	426	-7.5%
Road To Happiness	2,110	27,200	155	(2,218)	24,982	631	5,104	-8.2%
Mega Weird	5,562	64,522	3,894	(45,152)	19,370	0	0	-70.0%
Mega Weird	1,907	27,111	996	(14,815)	12,295	98	700	-54.6%
Virtual Reality	6,799	21,493	8,994	(122,907)	(101,414)	0	0	N/A
	517,602	6,680,780	83,314	(1,108,312)	5,572,468	55,603	492,680	-16.6%
				-16.1%	-16.6%			

* Sales based on S&S for the US, Canada and Australia. Does not include any sales distributed outside of S&S.

November YTD Revenue - Restless Books All Titles

	Total Sales							% Returns
	Units Shipped	Revenue	Units Returned	Return \$	Net Revenue \$	eBook Units	ebook Revenue	
Restless Books								
A Legend of the Future	2,699	22,044	969	(8,045)	13,999	12	66	-36.5%
A Planet for Rent	3,252	26,894	914	(7,674)	19,220	0	0	-28.5%
Between Clay and	1,170	9,045	33	(249)	8,795	0	0	-2.8%
Captivity	2,174	32,905	1	(16)	32,888	0	0	0.0%
Don Quixote	1,850	21,344	31	(371)	20,973	0	0	-1.7%
Letters to Yeyito	1,370	11,323	0	0	11,323	0	0	0.0%
The Underground	1,302	10,382	6	(53)	10,329	0	0	-0.5%
Where the Bird Sing	3,730	52,520	1,044	(15,280)	37,240	0	0	-29.1%
	17,547	186,458	2,998	(31,690)	154,768	12	66	-17.0%
			-17.1%	-17.0%				

* Sales based on S&S for the US, Canada and Australia. Does not include any sales distributed outside of S&S.

Royalty Advances – All Titles Books in Print

Title	Advances			Nov YTD Earnings	Advance Remaining
	2014	2015	Accumulated		
Rousey Novels/Memoir	208,334	250,000	458,334	578,695	(120,361)
Bien Cuit	90,000	180,000	270,000	25,743	244,257
Out Came the Sun	160,000	55,000	215,000	77,959	137,041
Strong Looks Better Naked		215,000	215,000		215,000
How Dante Can Save your Life	100,000	50,000	150,000	43,838	106,162
Road to Happiness (Linda Gray)		120,000	120,000	48,758	71,242
The Art of the Pimp	42,500	13,834	56,334	14,265	42,069
Sporting Guide	45,000	10,000	55,000	13,511	41,489
The Journey of the Heroic Parent	20,000	10,000	30,000	9,288	20,712
Compass of Sympathy (Kermit Roosevelt Allegian	25,000		25,000	20,777	4,223
Dillie the Deer		22,500	22,500	14,545	7,955
Age-Free (Linda Gray)	20,000		20,000	0	20,000
The Lie of Doing What you Love	10,000	10,000	20,000	15,522	4,478
Ingredients		15,000	15,000	20,764	(5,764)
The Gluten Lie	10,000	3,834	13,834	13,275	559
The Dirty Little Secret of Getting Into Top College	5,000	8,518	13,518	13,852	(334)
Megalis	12,000		12,000	11,280	720
Invaders	10,000		10,000	12,784	(2,784)
Immunity		10,000	10,000	9,646	354
Depth	10,000		10,000	7,353	2,647
Jimmie Lee and James	2,500	2,500	5,000	6,798	(1,798)
The Nakeds	2,500		2,500	9,406	(6,906)
Lolito	1,250		1,250	5,692	(4,442)
The Little Book of Lunch		1,250	1,250	4,328	(3,078)
	774,084	977,435	1,751,519	978,079	773,441

Royalty Advances – Books Not Yet in Print

Title	Advances			Nov YTD Earnings	Advance Remaining
	2014	2015	Accumulated		
Drone Warrior	150,000	150,000	300,000	0	300,000
Gospel of War		100,000	100,000	0	100,000
Macklemore	87,500		87,500	0	87,500
Rodger Memoir		70,000	70,000	0	70,000
Why Found	68,750	70,000	70,000	0	70,000
Toback	62,500		68,750	0	68,750
KooKooLand	28,333	28,333	62,500	0	62,500
Ford Memoir	36,667		56,667	0	56,667
Doll Parts		36,000	36,667	0	36,667
This is the Truth		33,332	36,000	0	36,000
Rewilding		31,250	33,332	0	33,332
Inherited Disorders		30,000	31,250	0	31,250
Parenting Book/Who Are You/Fashion Book	30,000		30,000	0	30,000
Book on Pakistan		25,000	30,000	0	30,000
Kendall & Kylie Jenner for Lex and Livia Series of		24,000	25,000	0	25,000
Deceptive Desserts		20,000	24,000	0	24,000
Fat-Burning Machine		20,000	20,000	0	20,000
Mad at Something		20,000	20,000	0	20,000
Man of La Salsa	20,000		20,000	0	20,000
McConnell	20,000		20,000	0	20,000
The Curse of Beauty		20,000	20,000	0	20,000
The Limits of Bad Behaviour	20,000		20,000	0	20,000
The Malibu Biodynamic Diet	10,000	10,000	20,000	0	20,000
Mark Oldman Book		18,750	20,000	0	20,000
Food Stuff	15,000		18,750	0	18,750
Tea with Dutches		15,000	15,000	0	15,000
The 5-6-7-8 Diet		15,000	15,000	0	15,000
Untitled: Dance Fitness Book		15,000	15,000	0	15,000
Work by Peter Arno		15,000	15,000	0	15,000

Royalty Advances – Books Not Yet in Print (continued)

Title	Advances			Nov YTD Earnings	Advance Remaining
	2014	2015	Accumulated		
Mrs Ravenbach's Way	10,000	4,500	14,500	0	14,500
Police Brutality		12,500	12,500	0	12,500
American Fat		10,000	10,000	0	10,000
Founders & Failures	10,000		10,000	0	10,000
My Enemy/My brother		10,000	10,000	0	10,000
Trousdale Estates	10,000		10,000	0	10,000
We Tortures some folks		10,000	10,000	0	10,000
Woman on the Front Lines		10,000	10,000	0	10,000
The Hollywood Backdrop		9,250	9,250	0	9,250
The Art of Hollywood Backdropping	8,500		8,500	0	8,500
The 2 am Principle		7,500	7,500	0	7,500
Carefrontation		7,083	7,083	0	7,083
Books that changed my life		7,000	7,000	0	7,000
The Books That Changed my Life		7,000	7,000	0	7,000
Stand Up and Fight		6,000	6,000	0	6,000
Why Bernie Sanders Matters		6,000	6,000	0	6,000
Frosen Place		5,000	5,000	0	5,000
The Casual Sex Project	5,000		5,000	0	5,000
The Unfinished Palazzo	5,000		5,000	0	5,000
Work 2/ Waclawiak		5,000	5,000	0	5,000
The Singing Bone		4,688	4,688	0	4,688
Dirty Little Secrets: Dream Job		4,423	4,423	0	4,423
Upstate Girls		2,000	2,000	0	2,000
Califrontation		1,250	1,250	0	1,250
	597,250	895,859	1,493,109	0	1,493,109