Sequential Brands Group, Inc.
Form 10-K
March 14, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

(Mark One)

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

For the fiscal year ended December 31, 2018

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

For the transition period from __________________ to ______________________.

Commission file number 001 37656

SEQUENTIAL BRANDS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	47 4452789
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

601 West 26th Street, 9th Floor

New York, New York 10001

(Address of principal executive offices) (Zip code)

(646) 564 2577

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share	Nasdaq Capital Market
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b 2 of the Exchange Act.

	Large accelerated filer	Accelerated filer
	Non-accelerated filer	Smaller reporting company
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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Act).

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter was $77,062,393 (based on the closing sales price of the registrant's common stock on that date).

At February 28, 2019, the registrant had 64,462,765 shares of common stock, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its annual meeting of stockholders to be held on June 7, 2019 are incorporated by reference in Items 10 through 14 of Part III of this Annual Report on Form 10 K.

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SEQUENTIAL BRANDS GROUP, INC.

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PART I

Unless otherwise noted, references in this Annual Report on Form 10 K to the “Sequential Brands Group,” “Company,” “our Company,” “we,” “us,” “our” or similar pronouns refer to Sequential Brands Group, Inc. and its subsidiaries. References to other companies may include their trademarks, which are the property of their respective owners.

This 2018 Annual Report on Form 10 K, including the sections entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We use words such as “future,” “seek,” “could,” “can,” “predict,” “believe,” “intend,” “expect,” “anticipate,” “plan,” “m “should,” “estimate,” “potential,” “project” and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Such risks and uncertainties include, but are not limited to the following: (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 its 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 its 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.

Forward-looking statements speak only as of the date they are made and are based on current expectations and assumptions. You should not put undue reliance on any forward-looking statement. We are not under any obligation, and we expressly disclaim any obligation, to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to such or other forward-looking statements.

Item 1. Business

Corporate Overview

We own a portfolio of consumer brands in the home, active and fashion categories, including Martha Stewart, Jessica Simpson, AND1, Avia, Joe’s and GAIAM. We aim to maximize the value of our brands by promoting, marketing and licensing the brands through various distribution channels, including to retailers, wholesalers and distributors in the United States and in certain international territories. Our core strategy is to enhance and monetize the global reach of our existing brands, and to pursue additional strategic acquisitions to grow the scope of and diversify our portfolio of brands.

Our business is designed to maximize the value of our brands through license agreements with partners that are responsible for manufacturing and distributing our licensed products and, with the exception of our Martha Stewart brand, primarily responsible for the design of such licensed products. Our brands are licensed for a broad range of product

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categories, including apparel, footwear, fashion accessories and home goods, as well as, with respect to our Martha Stewart brand, food, wine and a variety of media related assets, such as magazines, books and other print and digital content. We seek to select licensees who have demonstrated the ability to produce and sell quality products in their respective licensed categories and have the capability to meet or exceed the minimum sales thresholds and guaranteed minimum royalty payments that we generally require.

We license our brands to both wholesale and direct-to-retail licensees. In a wholesale license, a wholesale supplier is granted rights (typically on an exclusive basis) to a single or small group of related product categories for a particular brand for sale to multiple accounts within an approved channel of distribution and territory. In a direct-to-retail license, a single retailer is granted the right (typically on an exclusive basis) to sell branded products in a broad range of product categories through its brick and mortar stores and e-commerce sites. As of December 31, 2018, we had approximately one-hundred fifty licensees, with wholesale licensees comprising a significant majority.

Strategy

We own, manage, and maximize the long-term value of a diversified portfolio of global consumer brands. We aim to acquire well-known consumer brands with high potential for growth and strong brand awareness. We additionally seek to diversify our portfolio by evaluating the strength of targeted brands and the expected viability and sustainability of future royalty streams. Upon the acquisition of a brand, we partner with leading wholesalers and retailers to drive incremental value and maximize brand equity. We focus on certain key initiatives in our licensing and brand management business. These initiatives include:

- Maximizing the value of our existing brands by creating efficiencies, adding additional product categories, expanding distribution and retail presence and optimizing sales through innovative marketing that increases consumer brand awareness and loyalty;
- Expanding through e-commerce channels;
- Developing international expansion through additional licenses, partnerships and other arrangements with leading retailers and wholesalers outside the United States; and
- Acquiring consumer brands (or the rights to such brands) with high consumer awareness, broad appeal and applicability to a wide range of product categories.

Licensing Relationships

Our license agreements typically require a licensee to pay us royalties based upon net sales and, in most cases, contain guaranteed minimum royalties. Our license agreements also require licensees to support the brands by either paying or spending contractually guaranteed minimum amounts for the marketing and advertising of the respective licensed brands. As of February 28, 2019, we had contractual rights to receive an aggregate of $317.9 million in minimum royalty and marketing and advertising revenue from our licensees through the balance of the current terms of such licenses, excluding any renewals.

Our license agreements stipulate specific geographical territories and distribution channels in which the licensed products may be sold. Currently, the majority of our revenues are from license agreements with stipulated distribution territories in the United States. As we grow our existing brands and acquire new brands, we intend to increase the share of our international revenue, primarily through additional licenses, partnerships and other arrangements.

Our licensing revenues are concentrated with certain licensees and retail partners. During the year ended December 31, 2018, one licensee represented at least 10% of net revenue, accounting for 13% of the Company’s net revenue. For additional information, see “Risk Factors Risks Related to our Business - A substantial portion of our licensing revenue is concentrated with a limited number of licensees and retail partners, such that the loss of a licensee or retail partner could materially decrease our revenue and cash flows” in Item 1A.

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Description of Our Brands

Martha Stewart

We own the Martha Stewart brand, which we acquired in 2015 through the acquisition of Martha Stewart Living Omnimedia (“MSLO”). MSLO was founded in 1997 by Martha Stewart, an Emmy Award-winning television show host, entrepreneur, bestselling author of over 90 books, and America’s most trusted lifestyle expert and teacher. Millions of people rely on Martha Stewart as a source of useful "how-to" information for all aspects of everyday living - cooking, entertaining, gardening, home renovating, collecting, organizing, crafting, holidays, healthy living and pets. The Martha Stewart brand reaches approximately 100 million consumers across all media and merchandising platforms each month. Her branded products are found in over 70 million households and have a growing retail presence in thousands of locations. We currently license the Martha Stewart brand to various licensees, including retailers such as Macy’s, Staples and Michaels. In 2018, the Martha Stewart brand launched the MarthaStewart.TV app available for Apple, Android, Amazon Fire+, Roku and Chromecast devices. Additionally, the Martha Stewart brand launched a new floral subscription line in the fourth quarter of 2018. The Martha Stewart brand continued its relationship with QVC in multiple categories including apparel, skin care, garden, and food.

Jessica Simpson

We acquired a majority ownership interest in the Jessica Simpson brand, including the Jessica Simpson Collection master license and other rights, in 2015. Founded in 2005, the Jessica Simpson Collection is a signature lifestyle concept inspired by and designed in collaboration with Jessica Simpson. The growing brand offers multiple product categories including footwear, apparel, fragrance, fashion accessories, maternity apparel, girls’ clothing and home products. The brand is supported by best-in-class licensees and has strong department store and online distribution through Dillard’s, Macy’s, Belk, Nordstrom, Zappos.com, and DSW, among other independent retailers. We have a license agreement with Camuto Group to manufacture and distribute footwear under the Jessica Simpson Collection. The Jessica Simpson Collection is distributed worldwide.

AND1

We acquired the AND1 brand in 2014, which was founded in 1993 and prides itself on being the original street basketball brand focusing on the everyday player. Key licensees for the AND1 brand include E.S. Originals, Inc. (“ESO”) for footwear and High Life, LLC for apparel. In addition, the AND1 brand is licensed in product categories, such as hosiery, underwear, off-court/casual footwear and other accessories. The AND1 brand is offered through Wal-Mart stores, sporting goods retailers and related e-commerce sites in the United States and has a strong distribution network reaching over 20 countries. In 2018, AND1 announced a multi-year partnership with NBA legend Kevin Garnett as the creative director and global brand ambassador for AND1 as well as the development of a jointly created capsule collection.

Avia

We acquired the Avia brand in 2014, which was founded in 1979 and is best known for running and activewear products designed to unite performance and function for athletes of every level. Since we acquired Avia, we have expanded its licensed product categories to include wearable fitness accessories, hosiery, sports bags and various other accessory products. The Avia brand is primarily offered through Wal-Mart stores in the United States, with additional distribution through specialty retailers and related e-commerce sites, such as Modell’s Sporting Goods, as well as globally in numerous countries. In 2018, Avia continued to expand globally and initiated an international partnership in China. In 2018, we announced our collaboration with Vanessa Hudgens to serve as the brand ambassador for the Avia brand as well as the development of a jointly created capsule collection.

GAIAM

We acquired the GAIAM brand in 2016. Founded in 1996 as an eco-living catalog company, GAIAM evolved into a yoga brand by producing and distributing yoga videos and related products through multiple channels of distribution. GAIAM has since expanded to include a full line of apparel, yoga mats, yoga mat bags, yoga blocks and straps, yoga and fitness props, balance balls, bags, active sitting products, including our balance ball chair, fitness kits and various other accessories. GAIAM is dedicated to making yoga, fitness and wellness accessible to all through a wide distribution network that consists of approximately 38,000 retail doors, 19,000 store-within-a-stores, 5,000 category management locations and e-commerce. We currently license the GAIAM brand to various licensees, including Fit For Life, LLC for yoga sporting goods and High Life, LLC for apparel. In 2018, Jessica Biel, GAIAM's brand ambassador, in collaboration with GAIAM launched their capsule collection.

Joe's

We acquired the Joe's brand in 2015. Founded in 2001, Joe's is a casual chic global lifestyle brand synonymous with classic, modernized wardrobe staples ranging from premium denim to handcrafted collection pieces, and from contemporary accessories to footwear. Joe's has since expanded to include kid's apparel, intimate apparel, hosiery, fragrance, men's tailoring, tie, belts, small leather goods and bags. Concurrently with the acquisition, we entered into a long-term license agreement for the brand's core categories with Centric Brands, Inc. Joe's branded products are available at better department stores and specialty boutiques in the United States and internationally. Joe's marketing campaigns featured top model Sara Sampaio for the women's business and Julian Edelman for the men's business.

Ellen Tracy

We acquired the Ellen Tracy brand in 2013, which was founded in 1949 and is a leading fashion lifestyle brand focusing on polished and sophisticated style for modern women. The Ellen Tracy brand is known for quality tailoring, timeless silhouettes and classic signature prints. Product offerings currently include apparel, outerwear, sleepwear, intimate apparel, hosiery, eyewear, fragrance, fashion accessories, swimwear, handbags and luggage. Licensees for the Ellen Tracy brand include GBG USA Inc. for sportswear and dresses, Amerex for swimwear, and Komar for sleepwear and intimate apparel. In addition, the Ellen Tracy brand has been licensed for jewelry, bath and body gifts, cosmetics and home. The Ellen Tracy brand is offered in premium and regional department and specialty stores throughout the United States as well as globally. In 2018, Ellen Tracy continued its collaboration with top model Irina Shayk, featuring her in marketing campaigns and releasing a jointly created limited edition apparel collection.

Emeril Lagasse

We acquired the Emeril Lagasse brand in 2015. Emeril Lagasse is the chef/proprietor of 12 restaurants throughout the United States, and the best-selling author of 19 cookbooks. As a national TV personality, he has hosted more than 2,000 shows on the Food Network, is the food correspondent for ABC's "Good Morning America" and appeared as a guest judge on Bravo's hit food series, "Top Chef". Licensees for the Emeril Lagasse brand primarily include various food and kitchen preparation manufacturers for product categories such as cookware, cutlery and food and coffee products. Emeril Lagasse branded products are available in department stores, club stores, supermarkets and specialty stores within the United States, as well as through QVC.

William Rast

The William Rast brand is a lifestyle fashion brand rounded in the iconography of biker culture with designs that embody the "new America" sensibility and deliver an edgy yet tailored collection of premium denim, ready to wear and outerwear for both men and women. Product offerings include denim, sportswear, outerwear and fragrance. Licensees for the William Rast brand include One Jeanswear for men's and women's apparel, Level 8 Apparel LLC for outerwear and Bellevue Brands Inc. for fragrance. Distribution includes several national retailers including Macy's, Dillard's, Belk, Lord & Taylor and Amazon. In August 2018, William Rast launched its Fall 2018 men's and women's collection with a campaign featuring multi-platinum selling country music star Brett Young alongside supermodel Stella Maxwell.

Heelys

We acquired the Heelys brand in 2013, which was founded in 1999 and has been a breakout success in the world of action sports among children and teens with its innovative, patented dual-purpose wheeled footwear, featuring a stealth removable wheel in the heel. Heelys continues to grow into the ultimate kids' active lifestyle brand. The primary licensee for the Heelys brand is BBC International LLC for wheeled footwear and related accessories. The Heelys brand is offered through department stores, sporting goods retailers, related e-commerce sites, as well as Heelys' own e-commerce site in the United States and over 70 additional countries.

Caribbean Joe

We acquired the Caribbean Joe brand in 2013, which was founded in 1999 and is a casual, island inspired, lifestyle brand. Originally rooted in apparel, Caribbean Joe's product offerings have expanded to include swimwear, accessories, and home textiles. The Caribbean Joe brand is distributed in the United States through mid-tier department stores, specialty stores, e-commerce sites and off-price retailers as well as internationally through specialty retailers and distributors.

DVS

We own a 65% interest in the DVS brand through a joint venture with Elan Polo International, Inc. ("Elan Polo"), a global organization which designs, sources and delivers men's, women's and children's shoes to retailers around the world. The DVS brand is a footwear brand dedicated to inspiring youth to have fun and always push forward and is best known for its great style, technical features and input of some of the best action sports athletes in the world. Product offerings for the brand currently include footwear, backpacks and accessories. The primary licensee for the DVS brand is Elan Polo for footwear, with distribution through specialty street skating and other specialty stores in the United States and internationally.

The Franklin Mint

We acquired The Franklin Mint brand in 2013, which was founded in 1964 and is a brand in the collectible and gift giving arena. The Franklin Mint brand has been licensed in multiple categories, including coins, models, jewelry, games, décor, giftables, seasonal, and co-branded products through license agreements. The Franklin Mint brand is currently offered via the franklinmint.com website.

Linens N Things

We acquired the Linens N Things brand in 2014, which was founded in 1975 and is a home textiles, housewares and decorative home accessories brand.

SPRI

We acquired the SPRI brand in July 2016 as part of the GAIAM transaction. Founded in 1983 as the Sports Performance Rehabilitative Institute, SPRI pioneered a line of rubber resistance products in the fitness & training category. Over the past 30 years, SPRI has grown to be a leading exercise brand, offering a full line of fitness accessories, training tools and educational materials. The SPRI brand today focuses on distribution in both the commercial fitness (gyms, fitness clubs and hotels) and retail fitness channels. The SPRI brand continues to show growth through expansion at Target with the "Ignite" by SPRI collection.

Nevados

We acquired the Nevados brand in 2014, which was founded in 1990 and was inspired by the 17,000 foot Los Nevados National Natural Park in the Colombian Andes Mountains range. With a dedication to comfort and durability, Nevados offers hiking boots and outdoor shoes to make sure you see the great outdoors, and enjoy every step of the way. Today the brand is distributed through Amazon, as well as select specialty stores in the United States and internationally.

Business Segment

We have a single operating and reportable segment, as described more fully in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reportable Segment” in Item 7. See Item 6 of this Annual

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Report on Form 10 K for measures of our net revenues, consolidated net loss and total assets as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016.

Corporate Organization/Information

We were formed in June 2015 in connection with a strategic combination resulting in our predecessors, Sequential Brands Group, Inc. ("Old Sequential") and MSLO, becoming our wholly-owned subsidiaries (the "Mergers"). Old Sequential was incorporated under the laws of the State of Delaware in 1982 as People's Liberation, Inc. and changed its name to Sequential Brands Group, Inc. in 2012. Old Sequential's common stock began trading on the Nasdaq Capital Market ("Nasdaq") under the ticker "SQBG" on September 24, 2013, and we succeeded to Old Sequential's listing on December 7, 2015.

Competition

We operate in a highly competitive market, both for our individual brands and for the Company as a whole.

Our brands are subject to extensive competition from various domestic and foreign brands. Each of our brands has a number of competitors within its specific product categories and distribution channels that compete with the product categories and distribution channels in which our brands' products are sold. Our brands also compete within the retail stores and other distribution channels that carry such brand's product lines with other products offered by these retail stores and distribution channel in the respective product categories, including with products sold under our partners' private labels. We also compete with the e-commerce businesses of these stores and other websites that sell similar retail goods. Competitive factors include design, style, quality, price, name recognition, service and advertising.

In addition, we face competition in establishing and maintaining licensee relationships for our existing brands. Competitors may seek to enter into brand licensing arrangements with our current or potential licensees, which may inhibit our ability to enter into or maintain licensing arrangements. In addition, the retailers that currently sell our branded products may develop their own brands or acquire brands rather than purchase products from our licensees, which could make it more difficult for our licensees to achieve their sales targets.

We also compete with traditional apparel and consumer brand companies, as well as other brand management companies, for acquisitions of accretive brands, particularly brands with high consumer awareness, broad appeal and applicability to a wide range of product categories.

Trademarks

Our trademarks and associated marks are registered or pending registration with the U.S. Patent and Trademark Office in block letter and/or logo formats, as well as in combination with a variety of ancillary marks for use with respect to a broad range of product categories, including footwear, apparel, fragrance, handbags, backpacks, watches, home goods and various other goods and services. We intend to renew these registrations as appropriate prior to their expiration. In addition, we register our trademarks in other countries and regions around the world. We also have domestic, foreign and international intellectual property coverage for the technology and designs for several brands including for Heelys wheeled footwear and certain Gaiam yoga-related products and SPRI products. We own the rights to 44 U.S. issued patents and 49 foreign issued patents within 24 territories, along with several pending U.S. and foreign patent applications and industrial designs. Further, in connection with the acquisition of the Martha Stewart brand, we are also the owners of domestic and international design and utility patents covering certain Martha Stewart Crafts paper punches.

We monitor on an ongoing basis unauthorized use and filings of our trademarks and patents and rely primarily upon a combination of federal, state and local laws, as well as contractual restrictions, to protect our intellectual property rights, both domestically and internationally.

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Seasonality

Our business is affected by seasonality in the businesses of many of our licensees. Historically, this can result in higher revenues during our fourth quarter, which includes the holiday retail season in the United States. We recognized 29% and 28% of our annual net revenues during the fourth quarter of 2018 and 2017, respectively. Our seasonality may change as we continue to grow our business.

Employees

As of February 28, 2019, we had a total of 129 employees and area-specific consultants working to support our operations. None of our employees are represented by a labor union. We consider our relationship with our employees to be satisfactory.

Available Information

Our corporate website address is www.sequentialbrandsgroup.com. The information contained on our website is not part of this report. We file our annual, quarterly and current reports and other information with the SEC. These reports, and any amendments to these reports, are made available on our website and can be viewed and downloaded free of charge as soon as reasonably practicable after such reports are filed with or furnished to the SEC. In addition, the SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, which is available at www.sec.gov.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the trading price of our common stock. Although the risks and uncertainties listed below are those that we consider significant, material risks and uncertainties that are not presently known to us may also adversely affect our business, financial condition or results of operations. In evaluating our business and an investment in our securities, you should consider the following risk factors, in addition to the other information presented in this report, as well as the other reports we file from time to with the SEC:

Risks Related to Our Business

The failure of our licensees to fulfill their financial obligations with respect to royalty payments under their license agreements or to otherwise adequately produce, market and sell products bearing our brand names in their license categories could have a material adverse effect on our business, financial condition and results of operations.

Our revenues are almost entirely dependent on royalty payments made to us pursuant to license agreements entered into with licensees of our brands. These license agreements often require that licensees advance payment to us of a portion of the sales royalty payments due thereunder and, in most cases, provide for guaranteed minimum royalty payments. The failure of our licensees to satisfy their financial obligations under these agreements, or their inability to operate successfully or at all, could result in a breach of an agreement, early termination of an agreement, non-renewal of an agreement or an amendment of an agreement to reduce the guaranteed minimum royalty payments or sales royalties due thereunder, each of which could eliminate some or all of that revenue stream. A decrease or elimination of revenue could have a material adverse effect on our financial condition, results of operations and cash flows.

During the term of a license agreement, our revenues and the value of our brands substantially depend upon our licensees’ ability to maintain the quality and marketability and market acceptance of the branded products licensed to such licensee and their failure to do so could negatively affect consumer perception of our brands and harm our future growth and prospects. Further, the failure of our licensees to meet their production, manufacturing and distribution requirements, or a weak economy or softness in the retail, apparel or home goods sectors, could cause our licensees to default on their obligations to make guaranteed minimum royalty payments to us or cause a decline in their sales and potentially decrease the amount of royalty payments in excess of guaranteed minimum royalty payments due to us. In addition, our licensees’ inability to maintain market acceptance of our brands or our failure to monitor our licensees’ compliance with their license

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agreements or take appropriate corrective action when necessary may subject our intellectual property assets to cancellation, loss of rights or devaluation and any devaluation of our trademarks or other intellectual property could cause a material impairment in the carrying value of such intellectual property, potentially resulting in a charge as an expense to our results of operations. If such developments occur or our licensees are otherwise not successful, the value and recognition of our brands, as well as our business, financial condition and results of operations, could be materially adversely affected.

Our business depends on continued market acceptance of our brands and the products bearing these brands.

The retail industry is highly susceptible to changes in consumer preferences and continued market acceptance of our brands and our licensees' products, as well as market acceptance of any future products bearing our brands and is subject to a high degree of uncertainty. In order to generate revenues and profits, our licensees must develop product offerings that appeal to consumers. We retain rights to monitor the products our licensees' design and produce and may retain the right to preview and approve such products, we cannot assure you that licensees will develop, market and sell products that appeal to consumers. Any significant changes in consumer preferences or any inability on our licensees' part to anticipate or react to such changes could reduce demand for our branded products and erode the competitiveness of such products, which would negatively affect our financial condition, results of operations and cash flows.

The continued success of our brands and branded products and market acceptance of new products and product categories also depend on our ability to continually improve the effectiveness of our marketing efforts. We devote significant resources and expenditures to promoting our brands and new product launches, but there can be no assurance as to our continued ability to effectively execute our marketing programs. To the extent our licensees misjudge the market for our brands and branded products, or our marketing efforts are unsuccessful, our business, results of operations and prospects will be adversely affected.

We have incurred a substantial amount of indebtedness in connection with our acquisitions, which could adversely affect our financial condition and results of operations.

As of December 31, 2018, we had outstanding net indebtedness of $610.8 million, as described more fully in Note 10 to our consolidated financial statements.

Our high level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of such indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents that govern our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service debt, would increase.

Our increased level of indebtedness could have other important consequences, which include, but are not limited to, the following:

- a substantial portion of our cash flow from operations could be required to pay principal and interest on our debt;
- our interest expense could increase if interest rates increase because our borrowings generally bear interest at floating rates;
- our leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the brand licensing industry;

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- our failure to comply with the financial and other restrictive covenants in the documents governing our indebtedness could result in an event of default that, if not cured or waived, results in foreclosure on substantially all of our assets; and
- our level of debt may restrict us from raising additional financing on satisfactory terms to fund strategic acquisitions, investments, joint ventures and other general corporate requirements.

We cannot be certain that our earnings will be sufficient to allow us to pay principal and interest on our debt and meet our other obligations. If we do not have sufficient earnings, we may be required to seek to refinance all or part of our then existing debt, sell assets, make additional borrowings or sell more securities, none of which we can guarantee that we will be able to do and which, if accomplished, may adversely affect us.

We are subject to a number of restrictive covenants under our debt arrangements, including customary operating restrictions and customary financial covenants. Our business, financial condition and results of operations may be adversely affected if we are unable to maintain compliance with such covenants.

Our outstanding debt is generally guaranteed jointly and severally by each of our domestic subsidiaries. Our and our subsidiaries' obligations under the August 2018 Debt Facilities (as defined in Note 10 to our consolidated financial statements) and the associated guarantees are secured, in each case, by first priority liens (subject, in the case of the New Amended KKR Credit Agreement, to the liens under the New Amended BoA Credit Agreement on, and security interests in, substantially all of the present and after acquired assets of us and each of our subsidiaries, subject to certain customary exceptions). The August 2018 Debt Facilities contain a number of restrictive covenants, representations and warranties, including representations relating to the intellectual property owned by us and our subsidiaries and the status of our material license agreements. In addition, the August 2018 Debt Facilities include covenants and events of default, including, in the case of the New Amended BoA Credit Agreement, requirements that we (i) maintain a positive net income (as defined), (ii) satisfy a maximum loan to value ratio (as calculated pursuant to the New Amended BoA Credit Agreement) and (iii) satisfy a maximum consolidated first lien leverage ratio (as calculated pursuant to the New Amended BoA Credit Amendment), and, in the case of the New Amended KKR Credit Agreement, to satisfy (i) a maximum consolidated total leverage ratio (as calculated pursuant to the New Amended KKR Credit Agreement) and (ii) a maximum consolidated first lien leverage ratio (as calculated pursuant to the New Amended KKR Credit Agreement).

If our business, financial condition or results of operations are adversely affected by one or more of the risk factors described in this Annual Report on Form 10 K or elsewhere in our filings with the SEC, we may be unable to maintain compliance with these financial covenants. If we fail to comply with such covenants, our lenders could demand immediate payment of amounts outstanding. Under such circumstances, we would need to seek alternative financing sources to fund our ongoing operations and to repay amounts outstanding and satisfy our other obligations under our existing borrowing and financing arrangements. Such financing may not be available on favorable terms, or at all. Consequently, we may be restricted in how we fund ongoing operations and strategic initiatives and deploy capital and in our ability to make acquisitions. As a result, our business, financial condition and results of operations may be further adversely affected if we are unable to maintain compliance with our debt covenants.

We or our licensees may not be able to continue to compete successfully because of intense competition within our licensees' markets, the strength of some of their competitors or other factors.

Our trademark licenses are for products primarily in the apparel, footwear, fashion and home accessories markets, in which our licensees face intense competition. Competitive factors in these markets include design, quality, price, style, name recognition, service and advertising. Changing customer preferences and the limited availability of shelf space can adversely affect the competitive position of our licensees' products. Many of our licensees' competitors have greater financial, distribution, marketing and other resources than our licensees and have achieved significant name recognition for their brands. Our licensees may be unable to successfully compete in the markets for their products, which would adversely affect our revenues and cash flows, and we may not be able to continue to compete successfully with respect to our licensing arrangements.

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We and our licensees are subject to risks and uncertainties relating to operating outside of the United States, foreign manufacturing and the price, availability and quality of raw materials, which could result in interruptions to their operations or increase their operating costs, thereby affecting their ability to deliver goods to the market, reducing or delaying their sales and decreasing our revenues.

We market and license our brands outside the United States, and many of our licensees operate outside the United States. We face numerous risks in doing business outside the United States, including: (i) unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements (ii) tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions and other trade barriers (iii) competition from foreign companies (iv) less effective and less predictable protection and enforcement of our intellectual property (v) changes in the political or economic condition of a specific country or region (including, without limitation, as a result of political unrest), particularly in emerging markets (vi) fluctuations in the value of foreign currency versus the U.S. dollar and the cost of currency exchange (vii) potentially adverse tax consequences and (viii) cultural differences in the conduct of business. Any one or more of such factors could impact current or future international sales of our brands or inhibit our ability to expand internationally. In addition, our business practices in international markets are subject to the requirements of the U.S. Foreign Corrupt Practices Act and all other applicable anti-bribery laws, any violation of which could subject us to significant fines, criminal sanctions and other penalties.

Further, a significant portion of the products sold by our licensees are manufactured overseas. There are substantial risks associated with foreign manufacturing, including (i) changes in laws relating to quotas, and the payment of tariffs and duties, (ii) fluctuations in foreign currency exchange rates, (iii) shipping delays and (iv) international political, regulatory and economic developments. Further, our licensees may experience fluctuations in the price, availability and quality of fabrics and raw materials used by them in their manufactured apparel or purchased finished goods. Any of these risks could increase our licensees' operating costs. Our licensees also import finished products and assume all risk of loss and damage with respect to these goods once they are shipped by their suppliers. If these goods are destroyed or damaged during shipment, the revenues of our licensees could be reduced as a result of our licensees' inability to deliver or their delay in delivering their products. A reduction in the revenues generated by our licensees would reduce the amount of our royalty revenues in excess of guaranteed minimum royalty payments and, in extreme circumstances, result in failures to make guaranteed minimum royalty payments to us.

A substantial portion of our licensing revenue is concentrated with a limited number of licensees and retail partners, such that the loss of a licensee or retail partner could materially decrease our revenue and cash flows.

Our licensing revenues are concentrated with a limited number of licensees and retail partners. During the year ended December 31, 2018, one licensee represented at least 10% of net revenue, accounting for 13% of the Company's net revenue. During the year ended December 31, 2017, three licensees represented at least 10% of net revenue, each accounting for 11% of the Company's net revenue. Our revenue and cash flows would be materially and adversely affected if any of them were to have financial difficulties affecting their ability to make payments, elected not to renew or extend any existing license agreements or arrangements with us or significantly reduced their sales of these licensed products under any of these license agreements or arrangements, and we were not able to replace the revenue generated by such licensees.

We may not be able to adequately protect our intellectual property rights, which could compromise our competitive position and decrease the value of our brands.

We own, through our subsidiaries, U.S. federal trademark registrations and foreign trademark registrations for our brands that are vital to the success and further growth of our business. In addition, we own domestic, foreign and international intellectual property registrations for the technology and designs incorporated into Martha Stewart Crafts paper punches, Heelys wheeled footwear and Gaiam yoga products. The loss of or inability to enforce our proprietary rights could materially and adversely affect our business and financial condition. For instance, if any third party independently develops similar products to those marketed and distributed by our licensees or manufactures knock-offs of such products, it may harm the reputation of our brands, decrease their value or cause a decline in our licensees' sales and thus our revenues. Additionally, the laws of foreign countries may provide inadequate protection for intellectual property rights, making it difficult to enforce such rights in those countries.

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We may need to bring legal claims to enforce or protect our intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources and negatively impact our business operations. In addition, notwithstanding the rights we have secured in our intellectual property, third parties may bring claims against us or our licensees alleging that we or our licensees have infringed on their intellectual property rights or that our or our licensees' intellectual property rights are not valid. Any claims against us or our licensees, with or without merit, could be time consuming and costly to defend or litigate and therefore could adversely affect our business. In addition, to the extent that any of our intellectual property assets is deemed to violate the proprietary rights of third parties in any litigation or proceeding or as a result of any claim, then we and our licensees may be prevented from using it, which could cause a breach or termination of license agreements. If our licensees are prevented from using the intellectual property we have licensed to them, the revenues of our licensees will be reduced with respect to those intellectual property assets, and the related royalty payments we receive could be reduced. Litigation with respect to our intellectual property or breaches of our license agreements could result in a judgment or monetary damages.

We depend upon the services of our key executives, including our Chief Executive Officer, Ms. Karen Murray. If we lose the services of Ms. Murray or other key executives, we may not be able to fully implement our business plan and future growth strategy, which would harm our business and prospects.

Our success is largely dependent upon the expertise and knowledge of our Chief Executive Officer, Ms. Karen Murray, and other key members of the executive team, whom we rely upon to formulate our business strategies. Our key executives' leadership and experience in the licensing industry is important to the successful implementation of our business and marketing strategy. We do not carry key person life insurance covering our key executives, with the exception of Ms. Martha Stewart. The loss of the services of our key executives could have a material adverse effect on our business prospects, financial condition, results of operations and cash flows.

Our results of operations may fluctuate significantly, which may make it difficult to predict our performance and result in volatility in our stock price.

We have in the past experienced substantial variations in our revenue and results of operations from quarter to quarter, and we expect to continue to experience such substantial variations. This variability is affected by numerous factors, including:

- the timing of the introduction of new licensed products by our licensees;
- the level of consumer acceptance of our brands and licensed products;
- seasonality resulting in higher revenues in the second half of the year;
- general economic and industry conditions that affect consumer spending and retailer purchasing;
- the availability of viable licensees that meet our brand criteria; and
- the timing of marketing expenditures.

Because of these fluctuations in our revenues, operating expenses and cash flows it may be difficult to make period-to-period comparisons of our result of operations and liquidity and it may be difficult for securities analysts and investors to predict our performance. As a result, our results of operations in any particular quarter may be below the expectations of securities analysts or investors. Fluctuations in our performance and the failure to meet analyst expectations could cause declines or volatility in our stock price.

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Demand for our brands and branded products may be materially and adversely affected by reductions in disposable income, which in turn depends on general economic conditions and the global economy.

Our performance is subject to worldwide economic conditions and their impact on levels of consumer spending that affect not only the ultimate consumer, but also retailers and distributors, who license our brands. Consumer spending has fluctuated significantly and may become depressed or be subject to deterioration in the near future. The worldwide apparel and consumer products industries are heavily influenced by general economic cycles. Purchases of apparel, footwear and accessories tend to decline in periods of recession or uncertainty regarding future economic prospects, as disposable income declines. During periods of recession or economic uncertainty, our licensees may not be able to maintain or increase sales of our branded products to existing customers, make sales to new customers, open or operate new retail stores or maintain sales levels at existing stores as consumers may shift discretionary income spending to other areas other than our licensee’s products. As a result, our results of operations may be adversely and materially affected by downward trends in the United States or global economy.

The market price of our common stock has declined significantly and may be volatile, which could reduce the demand for our common stock.

The publicly traded shares of our common stock have experienced, and may continue to experience, significant price fluctuations, ranging between $5.20 and $0.69 during our last two fiscal years. Due to the continued, sustained decline in our stock price during 2017, we recorded a goodwill impairment charge of $304.1 million in the fourth quarter of 2017. See Note 9 to our consolidated financial statements for further information on our goodwill impairment. Future decreases or volatility in our stock price could reduce demand for our common stock, regardless of our operating performance. The trading price of our common stock could also change significantly over short periods of time in response to write-downs or actual or anticipated variations in our quarterly results of operations, announcements by us, our licensees or our respective competitors, factors affecting our licensees’ markets generally or changes in national or regional economic conditions.

Our largest stockholders control a significant percentage of our common stock and are represented on our board of directors, which may enable such stockholders, alone or together with our other significant stockholders, to exert influence over corporate transactions and other matters affecting the rights of our stockholders.

As of February 28, 2019, Tengram Capital Partners Gen2 Fund, L.P. (“Tengram”) beneficially owns approximately 11.8%, Carlyle Galaxy Holdings, L.P. (“Carlyle”) beneficially owns approximately 9.9% and Ms. Martha Stewart beneficially owns approximately 12.8% of our outstanding shares of common stock. Mr. William Sweedler, chairman of our board of directors, is a principal of Tengram, Mr. Rodney Cohen is a director and managing director of Carlyle, and Ms. Martha Stewart became a director in connection with the closing of the Mergers. As a result, each of Tengram, Carlyle and Ms. Martha Stewart, individually or collectively, are able to exercise substantial influence over our board of directors and matters requiring stockholder approval, including the election of directors and approval of significant corporate actions, such as mergers and other business combination transactions.

Circumstances may occur in which the interests of these stockholders could conflict with the interests of our other stockholders. The voting power of these stockholders also could discourage others from seeking to acquire control of us, which may reduce the market price of our common stock.

We may be deemed a former shell company and therefore resales of shares of our restricted common stock in reliance on Rule 144 may be subject to additional requirements and Rule 144 may be unavailable at all if we fail to comply with our reporting obligations.

From time to time we have issued shares of our common stock in transactions exempt from registration requirements, and such shares are “restricted securities” within the meaning of Rule 144. Rule 144 generally permits the resale, subject to various terms and conditions, of restricted securities after they have been held for six months. However, one of our predecessors was a former shell company and, as a result, securities laws also might deem us to be a former shell company. If we are deemed a former shell company, Rule 144 may be unavailable for resales of our restricted common stock unless we have satisfied certain reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for the twelve months preceding the time of sale. However, we cannot assure you that future reports or other materials will be filed as necessary to maintain the availability of the exemption under Rule 144. If we are deemed a former shell company and we fail to comply with our reporting obligations under the Exchange Act, Rule 144 will be unavailable to holders of our restricted common stock, which may limit the holders' ability to sell such restricted shares. In addition, because of the on-going reporting requirements under Rule 144, restrictive legends on certificates for shares of our common stock cannot be removed except in connection with an actual sale that is subject to an effective registration statement under, or an applicable exemption from the registration requirements of, the Securities Act.

While we audit our licensees from time to time in the ordinary course, we otherwise rely on the accuracy of our licensees' retail sales reports for reporting and collecting our revenues, and if these reports are untimely or incorrect, our revenue could be delayed or inaccurately reported.

Under our existing agreements, our licensees pay us licensing fees based in part on the retail value of products sold. We rely on our licensees to accurately report the retail sales in collecting our license fees, preparing our financial reports, projections, budgets, and directing our sales and marketing efforts. Our license agreements permit us to audit our licensees. If any of our licensee reports understate the retail sales of products they sell, we may not collect and recognize revenue to which we are entitled, or may endure significant expense to obtain compliance.

We do not foresee paying dividends in the foreseeable future.

We have not paid dividends on our common stock and do not anticipate paying dividends in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing licensing operations, further develop our brands and finance the acquisition of additional brands.

We have a significant amount of intangible assets, including our trademarks, recorded on our balance sheet. As a result of changes in market conditions and declines in the estimated fair value of these assets, we have been required to write-down all of our goodwill and a portion of our other intangible assets and may be required to record impairments of our intangible assets in the future which could adversely affect our results of operations.

As of December 31, 2018, intangible assets represented \$964.9 million, or 89.5% of our total consolidated assets. Under current accounting principles generally accepted in the United States ("GAAP"), indefinite-lived intangible assets are not amortized, but instead are subject to impairment evaluation based on related estimated fair values, with such testing to be done at least annually. Our trademarks are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any write-down of intangible assets resulting from future periodic evaluations would, as applicable, either decrease our net income or increase our net loss and those decreases or increases could be material. We recorded non-cash impairment charges of \$17.9 million for indefinite-lived intangible assets for certain brands in the third quarter of 2018; the impairments arose due to reduced growth expectations and the impact of licensee transitions for these brands. Due to the continued, sustained decline in our stock price, we recorded a goodwill impairment charge of \$304.1 million in the fourth quarter of 2017. See Note 8 and Note 9 to our consolidated financial statements for further information on these impairment charges.

Our use of certain tax attributes may be limited.

We have significant net operating losses ("NOLs"). A valuation allowance has been provided as of December 31, 2018 which primarily relates to state net operating losses and capital loss carryforwards. As of December 31, 2018, we have federal NOLs available to carryforward to future periods of \$188.9 million which begin expiring in 2024 and we have state NOLs available to carryforward to future periods of \$208.2 million which begin expiring in 2019. We have foreign tax credits available to carryforward to future periods of \$0.6 million as of December 31, 2018 which begin expiring in 2019. We have experienced several changes of ownership under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”) which place various limitations on the use of NOLs. The limitation on NOLs is based upon a formula provided under Section 382 of the Code that utilizes the fair market value of us and prevailing interest rates at the time of the ownership change. An “ownership change” is generally a 50% increase in ownership over a three-year

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period by stockholders who directly or indirectly own at least five percent of a company's stock. The limitations on the use of the NOLs under Section 382 could affect our ability to offset future taxable income.

We may be a party to litigation in the normal course of business, which could affect our financial position and liquidity.

From time to time, we may be made a party to litigation in the normal course of business. For example, as the owner of a trademark, we may be named as a defendant in a lawsuit relating to a product designed and manufactured by a licensee of that trademark. If we are alleged to have infringed the intellectual property rights of another party, any resulting litigation could be costly and could damage our reputation. Litigation also diverts the time and resources of management, regardless of the merits of the claim. In most cases, our licensees under the existing license agreements are obligated to defend and indemnify us, as licensor, and our affiliates with respect to such litigation. We also maintain insurance for certain risks, but it is not possible to obtain insurance to protect against all possible liabilities. Although historically the litigation involving us has not been material to our financial position or our liquidity, any litigation has an element of uncertainty and if any such litigation were to be adversely determined and/or a licensee were to fail to properly indemnify us and/or we did not have appropriate insurance coverage, such litigation could affect our financial position and liquidity.

Our common stock may be delisted from the NASDAQ

On January 16, 2019, we received a letter from the Nasdaq notifying us that we were not in compliance with Nasdaq's requirement to maintain a minimum closing bid price of $1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2), because for a period of 30 consecutive business days the bid price of our common stock had not closed at or above the minimum of $1.00 per share. On February 14, 2019, we received a letter from Nasdaq indicating that we had regained compliance with the rule because the closing bid price of our common stock was at or above $1.00 per share for a minimum of 10 consecutive business days. However, we cannot assure you that the trading price of our common stock will exceed Nasdaq's minimum bid price in the future. If our stock price again falls below $1.00 for 30 consecutive business days, we will receive a new notice from Nasdaq. If we fail to meet the minimum bid price and do not or cannot otherwise regain compliance, our common stock may be delisted from Nasdaq.

Our business, financial condition and results of operations could suffer in the event of security breaches, cyber-attacks or unauthorized disclosures of personal information.

In conducting their business, including their e-commerce business, our licensees and retail partners obtain and transmit confidential information about their customers, including credit card information, through their websites and their information technology systems. If our licensees or retail partners experience such a security breach or cyber-attack, it could adversely affect their business and operations, including damaging their reputation and their relationships with their customers, exposing them to risks of litigation and liability, all of which could have a material adverse effect on their ability to meet their minimum net sales requirements and to make guaranteed minimum royalty payments to us in accordance with the terms of their respective license agreements. We cannot assure you that our licensees and retail partners will not experience any future security breaches, cyber-attacks or unauthorized disclosures. In addition, as a result of recent security breaches at a number of prominent retailers, the media and public scrutiny of information security and privacy has become more intense and the regulatory environment has become more uncertain. As a result, our licensees and retail partners may incur significant costs to comply with laws regarding the protection and unauthorized disclosure of personal information, which could also negatively affect their ability to generate sales and make royalty payments to us, resulting in a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Acquisitions

If we are unable to identify and successfully acquire additional brands or to finance the acquisition of such brands, our rate of growth may be reduced and, even if additional trademarks are acquired, we may not realize anticipated benefits due to integration or licensing difficulties.

A key component of our growth strategy is the acquisition of additional brands. In 2016, we acquired GAIAM, and in 2015, we acquired Jessica Simpson, Joe's, Martha Stewart and Emeril Lagasse and are continually exploring new acquisition opportunities. However, we face extensive competition for new brand acquisitions, both from other brand management companies as well as traditional consumer brand companies, retailers and private equity groups, which could increase the price of the acquisitions and make it more difficult for us to find suitable acquisition targets. In addition, even if we successfully acquire additional brands or the rights to use additional brands, we may not be able to achieve or maintain profitability levels that justify our investment in, or realize planned benefits with respect to, those additional brands.

Although we seek to temper our acquisition risks, all acquisitions, whether they are of additional intellectual property assets or of the companies that own them, entail numerous risks, any of which could detrimentally affect our results of operations and/or the value of our equity. These risks include, among others:

- unanticipated costs associated with the target acquisition;
- negative effects on reported results of operations from acquisition related charges and amortization of acquired intangibles;
- diversion of management's attention from other business concerns;
- the challenges of maintaining focus on, and continuing to execute, core strategies and business plans as our brand and license portfolio grows and becomes more diversified;
- inability to find suitable licensees for our newly acquired brands;
- adverse effects on our existing licensing relationships, including our existing licensees terminating their license agreements with us;
- potential difficulties associated with the retention of key employees and the assimilation of any other employees, who may be retained by us in connection with or as a result of our acquisitions; and
- risks of entering new domestic and international markets (whether it be with respect to new licensed product categories or new licensed product distribution channels) or markets in which we have limited prior experience.

In the event we acquire intellectual property assets or the companies that own them, our due diligence reviews are subject to inherent uncertainties and may not reveal all potential risks. We may therefore fail to discover or inaccurately assess undisclosed or contingent liabilities, including liabilities for which we may have responsibility as a successor to the seller or the target company. In addition, as a successor, we may be responsible for any past or continuing violations of law by the seller or the target company. Although we generally attempt to seek contractual protections through representations, warranties and indemnities, we cannot be sure that we will obtain such provisions in our acquisitions or that such provisions will fully protect us from all unknown, contingent or other liabilities or costs. Finally, claims against us relating to any acquisition may necessitate our seeking claims against the seller for which the seller may not, or may not be able to, indemnify us or that may exceed the scope, duration or amount of the seller's indemnification obligations.

Acquiring additional brands could also have a significant effect on our financial condition and could cause substantial fluctuations in our liquidity, cash balances and quarterly and yearly results of operations. Acquisitions could result in the recording of significant goodwill and intangible assets on our financial statements, the amortization or impairment of which would reduce our reported earnings in subsequent years. We cannot make assurances with respect to the timing, likelihood or financial or business effect of any possible transaction. Moreover, our ability to grow through the acquisition of additional brands will also depend on the availability of capital to complete the necessary acquisition arrangements. We may elect to pursue acquisitions through debt financing or the issuance of shares of our common stock or convertible securities. The use of equity as transaction consideration could dilute our common stock, reduce our earnings per share or reduce the market price of our common stock. We cannot guarantee that our stockholders will achieve greater returns as a result of any future acquisitions we complete.

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We may not realize all of the anticipated benefits of our acquisitions or those benefits may take longer to realize than expected.

Our ability to realize the anticipated benefits of our acquisitions depends, to a large extent, on our ability to implement changes to acquired businesses in a manner that facilitates growth opportunities and realizes anticipated synergies. We will be required to devote significant management attention, resources and costs to realigning the business practices and operations of acquired businesses to our brand management model. We generally expect to benefit from operational synergies from our acquisitions resulting from the consolidation of capabilities and elimination of redundancies, as well as greater efficiencies from increased scale and market integration. However, this process may preclude or impede realization of the benefits expected from acquisitions and could adversely affect current revenues and investments in future growth, which could adversely affect our results of operations. We cannot be certain that we will not be required to implement further realignment activities, make additions or other changes to our workforce based on other cost reduction measures or changes in the markets and industry in which we compete. In addition, future business conditions and events may impact our ability to continue to realize any benefits of these initiatives. If we are not able to successfully achieve these objectives, the anticipated benefits of our acquisitions may not be realized fully or at all or may take longer to realize than expected.

The failure to successfully integrate new businesses and operations as a result of acquisitions may adversely affect our future results.

Businesses that we have acquired or may acquire in the future have operated historically as independent companies. We may face significant challenges in consolidating certain businesses and functions of these businesses, integrating their organizations, procedures, policies and operations, addressing differences in the business cultures and retaining key personnel. The integration process and other disruptions resulting from the business combinations mentioned above may also disrupt each company's ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect our relationships with employees, business partners, customers and others with whom we have business or other dealings, or limit our ability to achieve the anticipated benefits of the acquisitions. In addition, difficulties in integrating the businesses mentioned above could harm our reputation.

If we are not able to successfully combine our businesses in an efficient, effective and timely manner, the anticipated benefits and cost savings of the acquisitions may not be realized fully, or at all, or may take longer to realize than expected, and the value of our common stock may be affected adversely.

Our success depends in part on the continued success of our celebrity based brands and the reputation and popularity of those celebrities. Any adverse reactions to publicity relating to those celebrities, or the loss of their services, could adversely affect our revenues and results of operations as well as our ability to maintain or generate a consumer base.

We believe that maintaining and enhancing our celebrity based brands is important to our business, financial condition and results of operations. Our celebrity based brands may be negatively impacted by a number of factors, including the reputation of its content and products, the uniqueness and relevance of celebrity branded content, and the reputation and popularity of those celebrities. If we fail to maintain and enhance these brands, or if excessive expenses are incurred in an effort to do so, our business, financial condition and results of operations could be materially and adversely affected.

Moreover, we believe our celebrities' image, reputation, popularity and talent are material to the success of their brand. Any repeated or sustained negative shifts in public or industry perceptions of such celebrities could have a material adverse effect on these brands and, consequently, our business.

We may require additional capital to finance the acquisition of additional brands, and our inability to raise such capital on beneficial terms or at all could limit our growth.

We may, in the future, require additional capital to help fund all or part of potential acquisitions. If, at the time required, we do not have sufficient cash to finance those additional capital needs, we will need to raise additional funds through equity and/or debt financing. We cannot guarantee that, if and when needed, additional financing will be available to us on acceptable terms or at all. If additional capital is needed and is either unavailable or cost prohibitive, our growth may be limited as we may need to change our business strategy to slow the rate of, or eliminate, our expansion plans. In addition, any additional financing we undertake could impose additional covenants upon us that restrict our operating flexibility, and, if we issue equity securities to raise capital, our existing stockholders may experience dilution or the new securities may have rights senior to those of our common stock.

We expect to incur transaction costs in connection with our acquisitions.

We have incurred and expect to continue to incur significant costs and expenses in connection with past and future acquisitions, including financial advisory, legal, accounting, consulting and other advisory fees and expenses, reorganization and restructuring costs, litigation defense costs, severance/employee benefit-related expenses, filing fees, printing expenses and other related charges. There are also a large number of processes, policies, procedures, operations, technologies and systems that must be integrated in connection with our acquisitions. There are many factors beyond our control that could affect the total amount or timing of the integration and implementation expenses. These costs and expenses could reduce the benefits and income we expect to achieve from our acquisitions.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal offices are located at 601 West 26th Street, 9th Floor - Suite 900, New York, New York 10001, and our telephone number is (646) 564 2577.

We lease the following properties as of December 31, 2018:

Location	Type	Square Footage (Approximate)	Expiration Date
New York, NY	Corporate Headquarters	82,300	December 31, 2033
New York, NY	Office and Showroom	10,900	September 12, 2024
Los Angeles, CA	Office	4,724	July 31, 2020

On February 21, 2017, we amended the lease of our corporate headquarters, which extended the lease through December 31, 2033 and effective in February 2018, lowered the rented square footage to approximately 63,000 square feet of corporate office space and 7,000 square feet of other rentable space. On January 12, 2018, we further amended the lease of our corporate headquarters, effective in February 2018, to increase the rented square footage by approximately 12,300 square feet.

We believe that the facilities we utilize are well maintained, in good operating condition and adequate to meet our current and foreseeable needs.

Item 3. Legal Proceedings

General Legal Matters

From time to time, we are involved in legal matters arising in the ordinary course of business. While we believe that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which we are, or could be, involved in litigation, will not have a material adverse effect on our business, financial condition or results of operations. Contingent liabilities arising from potential litigation are assessed by management based on the individual analysis of these proceedings and on the opinion of our lawyers and legal consultants.

With respect to our outstanding legal matters, based on our current knowledge, we believe that the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on our

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business, financial condition or results of operations or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. Further, regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. See Note 13 of this Form 10-K for further information.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Trading

Our common stock trades on the Nasdaq Stock Market under the symbol “SQBG”. As of February 28, 2019, there were approximately 1,223 holders of record of our common stock.

Dividends

We have not paid or declared cash distributions or dividends on our common stock during the last two fiscal years or any subsequent interim period. We do not intend to pay cash dividends on our common stock in the near future. We currently intend to retain all earnings, if and when generated, to finance our operations. The declaration of cash dividends in the future will be determined by the Board based upon our earnings, financial condition, capital requirements, contractual obligations which may prohibit the payment of dividends, including our current or any future indebtedness, and other relevant factors. Our ability to pay dividends on our common stock and repurchase our common stock is restricted by certain of our current indebtedness and may be restricted or prohibited under future indebtedness.

Equity Compensation Plan

The table below sets forth the information regarding our equity compensation plans as of December 31, 2018:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	249,501	$ 12.70	—
Equity compensation plans not approved by security holders (2)	—	N/A	N/A
Total	249,501		—

(1) Consists of options to purchase our common stock issued under our 2005 Stock Incentive Plan (the “2005 Stock Incentive Plan”) and the Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan (the "2013 Stock Incentive Plan"). The 2005 Stock Incentive Plan was replaced by the 2013 Stock Incentive Plan. No new grants were granted under the 2005 Stock Incentive Plan since August 2013, when the 2013 Stock Incentive Plan came into effect. For a description of our 2013 Stock Incentive Plan, see Note 15 to our consolidated financial statements.

(2) Consists of warrants to purchase our common stock issued outside of the equity compensation plans in connection with certain completed financings and acquisitions.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the period covered by this Annual Report on Form 10 K that were not previously disclosed in a Quarterly Report on Form 10 Q or a Current Report on Form 8 K.

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Common Stock Repurchase Programs

During the quarter ended December 31, 2018, we repurchased 5,380 shares of our common stock from employees for income tax withholdings related to the vesting of restricted stock. We do not currently have in place a repurchase program with respect to our common stock.

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 - 31	5,380	$ 1.69	N/A	N/A
November 1 - 30	—	$ —	N/A	N/A
December 1 - 31	—	$ —	N/A	N/A
Total	5,380		—	—

(1) During the fourth quarter of 2018, 5,380 shares were purchased from employees for tax withholding purposes related to the vesting of restricted stock and restricted stock units.

Stock Performance Graph

The following graph compares the yearly percentage change in the cumulative total stockholder return on our common stock during the period beginning on December 31, 2013 and ending on December 31, 2018 with the cumulative total return on the Standard & Poor's 500 Composite Index ("S&P 500") and a Custom Peer Group, which includes Carter's Inc., Cherokee, Inc., Columbia Sportswear Company, Guess ? Inc., Hanesbrands, Inc., Iconix Brand Group Inc., PVH Corp. and Xcel Brands Inc. The comparison assumes that $100 was invested on December 31, 2013 in our common stock, S&P 500 and Custom Peer Group. The stock performance shown on the graph should not be considered indicative of future performance.

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Item 6. Selected Financial Data

The following table presents our selected historical financial data for the periods indicated. The selected historical financial data has been derived from our audited consolidated financial statements referred to under Item 8 of this Annual Report on Form 10 K. The following selected historical financial data should be read in conjunction with the consolidated financial statements and notes thereto that appear elsewhere in this Annual Report on Form 10 K and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in Item 7 of this Annual Report on Form 10 K. The historical consolidated financial statements for Old Sequential for periods prior to the Mergers are considered to be the historical financial statements of Sequential Brands Group, Inc. and thus, our consolidated financial statements for fiscal 2015 reflect Old Sequential's consolidated financial statements for the period from January 1, 2015 through December 4, 2015 and for the fiscal year 2014 and Sequential Brand Group Inc.'s thereafter. We have not declared dividends during the periods presented below.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Net revenue	$ 169,956	$ 167,464	$ 155,528	$ 88,262	$ 41,837
Operating expenses	87,767	79,443	85,392	58,611	29,806
Impairment charges	17,899	340,628	-	-	-
Loss on sale of assets	7,117	-	-	-	-
Income (loss) from operations	57,173	(252,607)	70,136	29,651	12,031
Net (loss) income	(4,978)	(181,546)	6,631	2,416	(646)
Net income attributable to noncontrolling interest	(5,506)	(4,172)	(7,452)	(5,287)	(422)
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (10,484)	$ (185,718)	$ (821)	$ (2,871)	$ (1,068)
Basic and diluted loss per share:					
Attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (0.16)	$ (2.95)	$ (0.01)	$ (0.07)	$ (0.04)
Basic and diluted weighted average common shares outstanding	63,700,081	62,861,743	61,912,410	41,177,523	29,964,604

	As of December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Consolidated Balance Sheet Data:					

Cash	$ 14,106	$ 18,902	$ 19,133	$ 41,560	$ 22,521
Working capital (as defined)	28,010	32,111	26,778	49,594	23,584
Intangible assets, net	964,911	995,170	1,030,212	872,277	303,039
Total assets	1,078,668	1,097,211	1,434,863	1,289,837	526,363
Long-term debt, including current portion	610,787	630,597	645,035	542,065	175,500
Total equity	344,644	353,538	537,568	525,649	264,900

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10 K, as well as the disclosures about forward-looking statements in Item 1 and the section "Risk Factors" contained in Item 1A. This discussion summarizes the significant factors affecting our consolidated operating results, financial condition and liquidity and cash flows for the fiscal year ended December 31, 2018. Except for historical information, the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements that involve risks and uncertainties and are based upon judgments concerning various factors that are beyond our control.

Licensing and Brand Management Business

We own a portfolio of consumer brands in the home, active and fashion categories, including Martha Stewart, Jessica Simpson, AND1, Avia, Joe's and GAIAM. We aim to maximize the value of our brands by promoting, marketing and licensing the brands through various distribution channels, including to retailers, wholesalers and distributors in the United States and in certain international territories. Our core strategy is to enhance and monetize the global reach of our existing brands, and to pursue additional strategic acquisitions to grow the scope of and diversify our portfolio of brands.

We aim to acquire well-known consumer brands with high potential for growth and strong brand awareness. We additionally seek to diversify our portfolio by evaluating the strength of targeted brands and the expected viability and sustainability of future royalty streams. Upon the acquisition of a brand, we partner with leading wholesalers and retailers to drive incremental value and maximize brand equity. We focus on certain key initiatives in our licensing and brand management business. These initiatives include:

- Maximizing the value of our existing brands by creating efficiencies, adding additional product categories, expanding distribution and retail presence and optimizing sales through innovative marketing that increases consumer brand awareness and loyalty;
- Expanding through e-commerce channels;
- Developing international expansion through additional licenses, partnerships and other arrangements with leading retailers and wholesalers outside the United States; and
- Acquiring consumer brands (or the rights to such brands) with high consumer awareness, broad appeal and applicability to a wide range of product categories.

Our business is designed to maximize the value of our brands through license agreements with partners that are responsible for manufacturing and distributing our licensed products and, with the exception of our Martha Stewart brand, primarily responsible for the design of such licensed products. Our brands are licensed for a broad range of product categories, including apparel, footwear, fashion accessories and home goods, as well as, with respect to our Martha Stewart brand, food, wine, and a variety of media related assets, such as magazines, books and other print and digital content. We seek to select licensees who have demonstrated the ability to produce and sell quality products in their respective licensed categories and have the capability to meet or exceed the minimum sales thresholds and guaranteed minimum royalty payments that we generally require.

We license our brands to both wholesale and direct-to-retail licensees. In a wholesale license, a wholesale supplier is granted rights (typically on an exclusive basis) to a single or small group of related product categories for a particular brand for sale to multiple accounts within an approved channel of distribution and territory. In a direct-to-retail license, a single retailer is granted the right (typically on an exclusive basis) to sell branded products in a broad range of product categories through its brick and mortar stores and e-commerce sites. As of December 31, 2018, we had approximately one-hundred fifty licensees, with wholesale licensees comprising a significant majority.

Our license agreements typically require a licensee to pay us royalties based upon net sales and, in most cases, contain guaranteed minimum royalties. Our license agreements also require licensees to support the brands by either paying

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or spending contractually guaranteed minimum amounts for the marketing and advertising of the respective licensed brands. As of February 28, 2019, we had contractual rights to receive an aggregate of $317.9 million in minimum royalty and marketing and advertising revenue from our licensees through the balance of the current terms of such licenses, excluding any renewals.

Items Affecting Comparability of Periods Presented

On January 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers ("ASC 606") on a modified retrospective basis for all open contracts as of January 1, 2018. Under the modified retrospective basis, results for reporting periods beginning after January 1, 2018 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with ASC 605, Revenue Recognition ("ASC 605"). For further discussion refer to Note 2 and 5 of Notes to Consolidated Financial Statements included in this Form 10-K.

Recently Issued Accounting Standards

Refer to "Recently Issued Accounting Standards" in Note 2 of Notes to Consolidated Financial Statements included in this Form 10 K.

Critical Accounting Policies, Judgments and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to exercise its judgment. We exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenues and expenses, and our disclosure of commitments and contingencies at the date of the financial statements. On an on-going basis, we evaluate our estimates and judgments. We base our estimates and judgments on a variety of factors, including our historical experience, knowledge of our business and industry and current and expected economic conditions, that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary. While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

A description of significant accounting policies that require us to make estimates and assumptions in the preparation of our consolidated financial statements is as follows:

Revenue Recognition. We recognize revenue in accordance with ASC 606, which became effective as of January 1, 2018 (See Note 2 and 5 in the Form 10-K for impact of adoption and other related disclosures). ASC 606 requires a five-step approach to determine the appropriate method of revenue recognition for each contractual arrangement:

Step 1: Identify the Contract(s) with a Customer

Step 2: Identify the Performance Obligation(s) in the Contract

Step 3: Determine the Transaction Price

Step 4: Allocate the Transaction Price to the Performance Obligation(s) in the Contract

Step 5: Recognize Revenue when (or as) the Entity Satisfies a Performance Obligation

We have entered into various license agreements for our owned trademarks. Under ASC 606, our agreements are generally considered symbolic licenses, which contain the characteristics of a right-to-access license since the customer is simultaneously receiving the intellectual property ("IP") and benefiting from it throughout the license period. We assess each license agreement at inception and determine the performance obligation(s) and appropriate revenue recognition method. As part of this process, we apply judgments based on historical trends when estimating future revenues and the period over which to recognize revenue.

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We generally recognize revenue for license agreements under the following methods:

1. Licenses with guaranteed minimum royalties ("GMRs"): Generally, guaranteed minimum royalty payments (fixed revenue) are recognized on a straight-line basis over the term of the contract, as defined in each license agreement.
2. Licenses with both GMRs (fixed revenue) and earned royalties (variable revenue): Earned royalties in excess of fixed revenue are only recognized when we are reasonably certain that the guaranteed minimum payments for the period, as defined in each license agreement, will be exceeded. Additionally, we have categorized certain contracts as variable when there is a history and future expectation of exceeding GMRs. We recognize income for these contracts during the period corresponding to the licensee's sales.
3. Licenses that are sales-based only or earned royalties: Earned royalties (variable revenue) are recognized as income during the period corresponding to the licensee's sales.

Payments received as consideration for the grant of a license or advanced royalty payments are recorded as deferred revenue at the time payment is received and recognized into revenue under the methods described above.

Contract assets represent unbilled receivables and are presented within accounts receivable, net on the consolidated balance sheets. Contract liabilities represent unearned revenues and are presented within the current portion of deferred revenue on the consolidated balance sheets.

We disaggregate revenue into two categories: licensing agreements and other, which is comprised of revenue from sources such as editorial content for books, television, sales commissions and vendor placement commissions.

With respect to editorial content for books, we receive advance payments from our publishers and recognize revenue when manuscripts are delivered to and accepted by the publishers. Revenue is also earned from book publishing when sales on a unit basis exceed the advanced royalty.

Television sponsorship revenues are generally recorded ratably across the period when new episodes initially air. Revenue from media content is recognized at a point in time, when the content is delivered and accepted.

Commission revenues and vendor placement commission revenues are recorded in the period the commission is earned.

We entered into a transaction with a media company for which we receive advertising credits as part of the consideration exchanged. These transactions are recorded at the estimated fair value of the advertising credits received, as their fair value is deemed more readily determinable than the fair value of the trademark licensing right provided by us, in accordance with ASC 845, Nonmonetary Transactions. The fair value of the advertising credits are recorded as revenue and in other assets when earned, and expensed when the advertising credits are utilized. We recorded revenue of $3.7 million for each year ended December 31, 2018 and 2017 related to the advertising credits. We recorded $1.3 million of expense related to the advertising credits utilized for the year ended December 31, 2018. We did not record any expense related to the advertising credits for the year ended December 31, 2017 as they had not yet been utilized.

Goodwill and Intangible Assets. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (on October 1st) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considered its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test. In evaluating goodwill for impairment, we first assessed qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount. Qualitative factors considered included, for example, macroeconomic and industry conditions, overall financial performance, and other relevant entity-specific events. If we bypassed the qualitative assessment, or concluded that it was more likely than not that the fair value of a reporting unit was less than its carrying value, we then performed a quantitative goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any. If the carrying value of the reporting unit's goodwill exceeded the implied fair value of the goodwill, an impairment loss was recognized in the amount of that excess, not to exceed the carrying amount of goodwill. See

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Note 2 – Summary of Significant Accounting Policies in Notes to our Consolidated Financial Statements for further information.

Intangible assets represent trademarks, customer agreements and patents related to our brands and a favorable lease. Finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. Indefinite-lived intangible assets are not amortized, but instead are subject to impairment evaluation. The carrying value of intangible assets and other finite-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are tested for impairment on an annual basis (on October 1st) and between annual tests if an event occurs or circumstances change that indicate that the carrying amount of the indefinite-lived intangible asset may not be recoverable.

When conducting our impairment assessment of indefinite-lived intangible assets, we initially perform a qualitative evaluation of whether it is more likely than not that the asset is impaired. If it is determined by a qualitative evaluation that it is more likely than not that the asset is impaired, we then test the asset for recoverability. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to its future discounted net cash flows. If the carrying amount of such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Assumptions used in our fair value estimates are as follows: (i) discount rates; (ii) projected annual revenue growth rates; and (iii) projected long-term growth rates. Our estimates also factor in economic conditions and expectations of management which may change in the future based on period-specific facts and circumstances.

Due to the identification of impairment indicators during the quarter ended September 30, 2018, specifically the impairment of certain tradenames due to reduced growth expectations and the impact of licensee transitions for these brands, we performed impairment testing of our indefinite-lived assets at September 30, 2018, which replaced our October 1st annual test. As a result of our testing, we recorded a non-cash impairment charge of $17.9 million relating to our indefinite-lived intangible assets during the quarter ended September 30, 2018.

Due to the identification of impairment indicators during the quarter ended September 30, 2017, specifically the impairment of certain tradenames due to reduced contractual minimums or reduced sales forecasts in key distribution channels, we performed impairment testing of our goodwill and indefinite-lived assets at September 30, 2017, which replaced our October 1st annual test. As a result of our testing, we recorded a non-cash impairment charge of $36.5 million relating to our indefinite-lived intangible assets during the quarter ended September 30, 2017.

Due to the identification of impairment indicators during the year ended December 31, 2017, we performed impairment testing of our goodwill and indefinite-lived assets during the fourth quarter of 2017. As a result of our testing, we recorded a non-cash goodwill impairment charge of $304.1 million during the fourth quarter of 2017.

Income Taxes. Current income taxes are based on the respective periods' taxable income for federal, foreign and state income tax reporting purposes. Deferred tax liabilities and assets are determined based on the difference between the financial statement and income tax bases of assets and liabilities, using statutory tax rates in effect for the year in which the differences are expected to reverse. In accordance with ASU No. 2015 17 "Balance Sheet Classification of Deferred Taxes", all deferred income taxes are reported and classified as non-current. A valuation allowance is required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items and tax provisions under the Tax Act, primarily the new limitation on interest expense deductions, management had determined that enough certainty existed to warrant the release of the valuation allowance recorded against substantially all of the Company's deferred tax assets as of December 31, 2017. See Note 16 to our consolidated financial statements for further information on the release of our valuation allowance.

We apply the FASB guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with other

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authoritative GAAP and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. During the years ended December 31, 2018 and 2017, the Company did not have any reserves or accrued interest and penalties recorded through current income tax expense in accordance with ASC 740, Income Taxes (“ASC 740”). Interest and penalties related to uncertain tax positions, if any, are recorded in income tax expense. Tax years that remain open for assessment for federal and state tax purposes include the years ended December 31, 2015 through December 31, 2018.

Stock-Based Compensation. We account for stock-based compensation under ASC Topic 718, Compensation - Stock Compensation, which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. Compensation cost for restricted stock is measured using the quoted market price of our common stock at the date the common stock is granted. For restricted stock and restricted stock units, for which restrictions lapse with the passage of time (“time-based restricted stock”), compensation cost is recognized on a straight-line basis over the period between the issue date and the date that restrictions lapse. Time-based restricted stock is included in total shares of common stock outstanding upon the lapse of applicable restrictions. For restricted stock, for which restrictions are based on performance measures (“performance stock units” or “PSUs”), restrictions lapse when those performance measures have been deemed achieved. Compensation cost for PSUs is recognized on a straight-line basis during the period from the date on which the likelihood of the PSUs being earned is deemed probable and (x) the end of the fiscal year during which such PSUs are granted or (y) the date on which awards of such PSUs may be approved by the compensation committee of the Company’s board of directors (the “Compensation Committee”) on a discretionary basis, as applicable. PSUs are included in total common stock outstanding upon the lapse of applicable restrictions. PSUs are included in total diluted common stock outstanding when the performance measures have been deemed achieved but the PSUs have not yet been issued.

At each subsequent reporting period prior to the lapse of restrictions on warrants, time-based restricted stock and PSUs granted to non-employees, the Company remeasures the aggregate compensation cost of such grants using the Company’s fair value at the end of such reporting period and revises the straight-line recognition of compensation cost in line with such remeasured amount.

Reportable Segment. An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by the chief operating decision maker (the “CODM”) to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. Our CODM, the Chief Executive Officer, reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenues for purposes of making operating decisions and assessing financial performance. Accordingly, we have determined that we have a single operating and reportable segment. In addition, we have no foreign operations or any assets in foreign locations. Nearly all of our operations consist of a single revenue stream, which is the licensing of our trademark portfolio, with additional revenues derived from television, book, café operations and certain commissions.

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Results of Operations

Comparison of the Years Ended December 31, 2018 and 2017

The following table summarizes our results of operations for the years indicated and is derived from our consolidated financial statements:

	Year Ended December 31,		Better/(Worse)		
	2018	2017	(Dollars)	(Percentage)	
	(in thousands, except percentages)				
Net revenue	$ 169,956	$ 167,464	$ 2,492	1.5	%
Operating expenses	87,767	79,443	(8,324)	(10.5)	%
Impairment charges	17,899	340,628	322,729	94.7	%
Loss on sale of assets	7,117	-	(7,117)	(100.0)	%
Income (loss) from operations	57,173	(252,607)	309,780	122.6	%
Other expense	693	1,583	890	56.2	%
Interest expense, net	62,152	59,891	(2,261)	(3.8)	%
Loss before income taxes	(5,672)	(314,081)	308,409	98.2	%
Benefit from income taxes	(694)	(132,535)	131,841	99.5	%
Net loss	(4,978)	(181,546)	176,568	97.3	%
Net income attributable to noncontrolling interests	(5,506)	(4,172)	(1,334)	(32.0)	%
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (10,484)	$ (185,718)	$ 175,234	94.4	%

Net Revenue. The year-over-year changes in net revenue were primarily driven by revenue earned for facilitating certain distribution arrangements and rights transfer fees included in 2018, increased revenues for GAIAM, Ellen Tracy and AND1 offset by decreases in revenue for Avia, Nevados, William Rast, and Jessica Simpson, the expiration of legacy contracts for the Martha Stewart brand and the absence of FUL and Revo revenue due to the sale of the trademarks during the first half of 2018. The year-to-date impact of ASC 606 in 2018 resulted in lower revenue across all brands of $3.5 million.

Operating expenses. Operating expenses increased $8.3 million for the year ended December 31, 2018 to $87.7 million compared to $79.4 million for the year ended December 31, 2017. This increase was primarily driven by increased advertising costs of $7.0 million, increased settlement fees of $4.0 million related to a $4.2 million settlement with a licensee as part of a strategic shift to a direct-to-retail license in the third quarter of 2018, legal costs of $4.4 million related to a $3.2 million accrual for a legacy litigation settlement claim, third-party fees related to debt refinancing of $1.2 million expensed in accordance with ASC 470 – Debt, partially offset by the absence of $6.7 million severance costs in connection with the Company’s CEO transition, decreased production fees of $1.1 million driven by $1.0 million of expenses related to Martha & Snoop’s Potluck Dinner Party show and decreased rent expense of $0.5 million.

Impairment charges. During the year ended December 31, 2018, the Company recorded non-cash impairment charges of $17.9 million for indefinite-lived intangible assets related to the trademarks of two of the Company’s brands: Ellen Tracy and Caribbean Joe. Fair value for each trademark was determined based on the income approach using estimates of future discounted cash flows. The impairments arose due to reduced growth expectations and the impact of licensee transitions for these brands. During the year ended December 31, 2017, we recorded non-cash impairment charges of $304.1 million related to our goodwill and $36.5 million for indefinite-lived intangible assets related to the trademarks of five of our non-core brands: Caribbean Joe, Revo, Franklin Mint, Nevados, and FUL. Fair value for each trademark was determined based on estimates of future discounted cash flows. The trademark impairments arose due to reduced contractual minimums or reduced sales forecasts in key distribution channels for these brands. The goodwill impairment was triggered in the fourth quarter of 2017 by the continued decline of our stock price and the related decline in our market capitalization. During the fourth quarter of 2017, our stock price and market capitalization declined approximately 41%, consistent with the decline in market capitalization of similar companies in our sector.

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Loss on sale of assets. During the year ended December 31, 2018, the Company recorded a loss on sale of assets of $7.1 million related to the sale of the Revo trademark on April 19, 2018, recognized during the first quarter of 2018, and the FUL trademark on May 30, 2018, recognized during the second quarter of 2018.

Other expense. Other expense during the year ended December 31, 2018 consists of immaterial items. Other expense during the year ended December 31, 2017 consisted of a $1.9 million loss recorded in connection with the sale of equity securities and other immaterial items partially offset by MSLO pre-acquisition sales tax refunds of $0.1 million and other immaterial items.

Interest expense, net. The year-over-year increase in net interest expense of $2.3 million is primarily due to an increase in interest incurred under our loan agreements. Interest expense, net during the year ended December 31, 2018 includes interest incurred under our loan agreements of $57.1 million, non-cash interest related to the amortization of deferred financing costs of $4.5 million, the expensing of $0.1 million of deferred financing costs as a result of a partial extinguishment of the Amended BoA Credit Agreement in accordance with ASC 470 – Debt in connection with the Company's entry into the New Amended BoA Credit Agreement and non-cash interest of $0.5 million related to the accretion of the present value of guaranteed contractual payments assumed through certain of the Company's acquisitions and certain other payment arrangements. Interest expense, net during the year ended December 31, 2017 includes interest incurred under our loan agreements of $55.1 million, non-cash interest related to the amortization of deferred financing costs of $3.9 million and non-cash interest of $0.9 million related to the accretion of the present value of guaranteed contractual payments assumed through certain of the Company's acquisitions.

Income taxes. The benefit for income taxes for the year ended December 31, 2018 differs from the statutory rate primarily for additional tax benefit attributable to noncontrolling interest offset by non-deductible compensation and an increase in the valuation allowance on state tax attributes. The benefit from income taxes for the year ended December 31, 2017 primarily represents a tax benefit recognized due to the decrease in deferred tax liabilities as a result of the reduction in the future corporate tax rate from 35% to 21% and the release of the valuation allowance recorded against substantially all of the Company's deferred tax assets prior to December 31, 2017, offset by the non-tax deductible goodwill impairment.

Noncontrolling interest. Noncontrolling interest for the year ended December 31, 2018 represents net income allocations of $5.6 million to With You, Inc., a member of With You LLC (the partnership between us and Jessica Simpson), $0.6 million to Elan Polo International, Inc., a member of DVS LLC, and a noncontrolling interest loss allocation of $0.7 million to JALP, LLC, a member of FUL IP Holdings, LLC ("JALP, LLC"). Noncontrolling interest for the year ended December 31, 2017 represents net income allocations of $5.8 million to With You, Inc., a member of With You LLC (the partnership between us and Jessica Simpson), $0.6 million to Elan Polo International, Inc., a member of DVS LLC, and a noncontrolling interest loss allocation of $2.2 million to JALP, LLC.

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Comparison of the Years Ended December 31, 2017 and 2016

The following table summarizes our results of operations for the periods indicated and is derived from our consolidated financial statements:

	Year Ended December 31,		Better/(Worse)	Change	
	2017	2016	(Dollars)	(Percentage)	
	(in thousands, except percentages)				
Net revenue	$ 167,464	$ 155,528	$ 11,936	7.7	%
Operating expenses	79,443	85,392	5,949	7.0	%
Impairment charges	340,628	-	(340,628)	(100.0)	%
(Loss) income from operations	(252,607)	70,136	(322,743)	(460.2)	%
Other expense	1,583	3,810	2,227	58.5	%
Interest expense, net	59,891	50,538	(9,353)	(18.5)	%
(Loss) income before income taxes	(314,081)	15,788	(329,869)	(2,089.4)	%
(Benefit from) provision for income taxes	(132,535)	9,157	(141,692)	(1,547.4)	%
Net (loss) income	(181,546)	6,631	(188,177)	(2,837.8)	%
Net income attributable to noncontrolling interests	(4,172)	(7,452)	3,280	44.0	%
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (185,718)	$ (821)	$ (184,897)	(22,521.0)	%

Net Revenue. The increase in net revenue for the year ended December 31, 2017 as compared to the year ended December 31, 2016 is primarily attributable to the acquisition of GAIAM, Inc. during the third quarter of 2016 and increased revenues in the Avia, Joe’s, and Ellen Tracy brands offset by decreased revenues in the Martha Stewart brand. Net revenue for the year ended December 31, 2017 consists primarily of licensing revenue earned from our license agreements relating to the Martha Stewart, Jessica Simpson, GAIAM, Avia, AND1, Joe’s and Ellen Tracy brands. Net revenue for the year ended December 31, 2016 consists primarily of licensing revenue earned from our license agreements relating to the Martha Stewart, Jessica Simpson, Avia, AND1, GAIAM, Ellen Tracy and Joe’s brands.

Operating expenses. Operating expenses decreased $5.9 million for the year ended December 31, 2017 to $79.4 million compared to $85.4 million for the year ended December 31, 2016. This decrease was primarily driven by a decrease in restructuring costs of $3.2 million, stock-based compensation costs of $1.8 million, professional fees of $3.2 million, deal advisory costs of $3.0 million, advertising costs of $2.8 million, and rent costs of $1.7 million, partially offset by increased stock-based compensation and severance of $6.7 million in connection with the Company’s CEO transition, increased compensation costs of $1.2 million, $1.0 million of higher expenses related to the Martha & Snoop’s Potluck Dinner Party show, and increased contributions of $0.9 million.

Impairment charges. During the year ended December 31, 2017 we recorded non-cash impairment charges of $304.1 million related to our goodwill and $36.5 million for indefinite-lived intangible assets related to the trademarks of five of our non-core brands: Caribbean Joe, Revo, Franklin Mint, Nevados, and FUL. Fair value for each trademark was determined based on estimates of future discounted cash flows. The trademark impairments arose due to reduced contractual minimums or reduced sales forecasts in key distribution channels for these brands. The goodwill impairment was triggered in the fourth quarter of 2017 by the continued decline of our stock price and the related decline in our market capitalization. During the fourth quarter of 2017, our stock price and market capitalization declined approximately 41%, consistent with the decline in market capitalization of similar companies in our sector.

Other expense. Other expense during the year ended December 31, 2017 consists of a $1.9 million loss recorded in connection with the sale of equity securities and other immaterial items partially offset by MSLO pre-acquisition sales tax refunds of $0.1 million and other immaterial items. Other expense during the year ended December 31, 2016 consists of the impairment of our equity securities of $4.4 million partially offset by other immaterial items.

Interest expense, net. The year-over-year increase in net interest expense of $9.4 million is primarily due to an increase in interest incurred under our loan agreements. Interest expense, net during the year ended December 31, 2017 includes interest incurred under our loan agreements of $55.1 million, non-cash interest related to the amortization of deferred financing costs of $3.9 million and non-cash interest of $0.9 million related to the accretion of the present value of guaranteed contractual payments assumed through certain of the Company's acquisitions. Interest expense during the year ended December 31, 2016 includes interest incurred under our loan agreements and interest rate caps of $46.2 million, non-cash interest related to the amortization of deferred financing costs of $2.8 million and the write-off of $0.3 million of deferred financing costs as a result of an extinguishment a portion of the BoA Credit Agreement in accordance with ASC 470 – Debt in connection with the Company's entry into the Amended BoA Credit Agreement. Additionally, we expensed non-cash interest of $1.2 million related to the accretion of the present value of guaranteed contractual payments assumed through certain of the Company's acquisitions in 2015.

Income taxes. The benefit from income taxes for the year ended December 31, 2017 primarily represents a tax benefit recognized due to the decrease in deferred tax liabilities as a result of the reduction in the future corporate tax rate from 35% to 21% and the release of the valuation allowance recorded against substantially all of the Company's deferred tax assets prior to December 31, 2017, offset by the non-tax deductible goodwill impairment. The provision for income taxes for the year ended December 31, 2016 represents the non-cash deferred tax expense created by the amortization of certain acquired trademarks for tax but not book purposes and taxes for state, local and foreign jurisdictions. The 2016 effective tax rate differed from the statutory tax rate primarily due to benefits from taxes attributable to noncontrolling interest, changes in valuation allowance, change in state tax rates and a reversal of unrecognized tax benefits.

Noncontrolling interest. Noncontrolling interest for the year ended December 31, 2017 represents net income allocations of $5.8 million to With You, Inc., a member of With You LLC (the partnership between us and Jessica Simpson), $0.6 million to Elan Polo International, Inc., a member of DVS LLC, and a noncontrolling interest loss allocation of $2.2 million to JALP, LLC, a member of FUL IP Holdings, LLC. Noncontrolling interest for the year ended December 31, 2016 represents net income allocations of $6.5 million to With You, Inc., a member of With You LLC (the partnership between us and Jessica Simpson), $0.6 million to Elan Polo International, Inc., a member of DVS LLC, and $0.4 million to JALP, LLC, a member of FUL IP Holdings, LLC.

Liquidity and Capital Resources

Liquidity

As of December 31, 2018, we had cash on hand, including restricted cash, of $16.1 million and a net working capital balance (defined below) of $28.0 million. Additionally, we had outstanding debt obligations under our loan agreements of $634.9 million excluding $24.1 million of deferred financing fees. As of December 31, 2017, we had cash on hand, including restricted cash, of $20.4 million and a net working capital balance (defined below) of $32.1 million. Additionally, we had outstanding debt obligations under our loan agreements of $644.7 million excluding $14.1 million of deferred financing fees. Net working capital is defined as current assets minus current liabilities, excluding restricted cash and discontinued operations. We believe that cash from operations and our currently available cash (including available borrowings under our existing financing arrangements) will be sufficient to satisfy our anticipated working capital requirements for the foreseeable future and at least twelve months from the date of filing this Form 10-K. Overall, we do not expect any negative effects to our funding sources that would have a material effect on our liquidity. We intend to continue financing future brand acquisitions through a combination of cash from operations, bank financing and the issuance of additional equity and/or debt securities. See Note 10 of

Notes to Consolidated Financial Statements included in this Form 10-K for a description of certain financing transactions consummated by us. There are no material capital expenditure commitments as of December 31, 2018.

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Cash Flows from Continuing Operations

Cash flows from continuing operations for operating, financing and investing activities for the years ended December 31, 2018, 2017 and 2016 are summarized in the following table:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Operating activities	$ 32,900	$ 28,210	$ 43,038
Investing activities	(172)	2,863	(151,367)
Financing activities	(37,023)	(31,294)	87,423
Net decrease in cash and restricted cash	$ (4,295)	$ (221)	$ (20,906)

Operating Activities

Net cash provided by operating activities from continuing operations increased $4.7 million to $32.9 million for the year ended December 31, 2018 as compared to net cash provided by operations of $28.2 million for the year ended December 31, 2017. The $4.7 million increase was primarily attributable to a decrease in net loss of $176.6 million, increases in accounts receivable of $6.2 million, other liabilities of $6.7 million and accounts payable and accrued expenses of $5.7 million, offset by decreases in non-cash items of $187.8 million, in prepaid expenses and other assets of $1.6 million, and in deferred revenue of $1.1 million on a year-over-year basis.

Investing Activities

Net cash used in investing activities decreased $3.1 million to $0.2 million for the year ended December 31, 2018 compared to net cash provided by investing activities of $2.9 million for the year ended December 31, 2017. This decrease is driven primarily by $4.2 million of cash used for purchases of property and equipment during the year ended December 31, 2018 compared to $3.1 million during the year ended December 31, 2017. The increase in cash used for purchases of property and equipment was primarily related to leasehold improvements as we reconfigured and reduced our office space at the Company's headquarters. During the year ended December 31, 2018, we sold the FUL and Revo trademarks and received cash proceeds of $4.4 million. During the year ended December 31, 2017, we sold equity securities for $5.8 million.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2018 amounted to $37.0 million compared to $31.3 million for the year ended December 31, 2017. During the year ended December 31, 2018, we made principal payments of $28.9 million under our loan agreements in accordance with contractual terms and $6.7 million of distributions to certain noncontrolling interest partners. In addition, we received loan proceeds as part of our debt refinancing of $107.6 million, made prepayments of $88.6 million under the Amended FS/KKR Credit Agreement, and paid $14.6 million of related lender and third-party fees during the year ended December 31, 2018. During the year ended December 31, 2017, we made principal payments of $28.3 million under our loan agreements in accordance with contractual terms and $7.4 million of distributions to certain noncontrolling interest partners. During the year ended December 31, 2018, we repurchased common stock from employees for tax withholding purposes related to the vesting of restricted stock of $2.4 million as compared to $1.2 million during the year ended September 30, 2017.

Debt

As of December 31, 2018, we were party to the First Amendment to the Third Amended and Restated First Lien Credit Agreement with Bank of America, N.A. as administrative and collateral agent (the “New Amended BoA Credit Agreement”) and the First Amendment to the Third Amended and Restated Credit Agreement with Wilmington Trust, National Association as administrative agent and collateral agent (the “New Amended FS/KKR Credit Agreement”), referred to as our loan agreements. Refer to Note 10 of Notes to Consolidated Financial Statements in this Form 10-K for a discussion of our borrowings and the terms of these debt facilities. As of December 31, 2018 and 2017, our long-term

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debt, including current portion, was $634.9 million and $644.7 million, excluding $24.1 million and $14.1 million of deferred financing fees, respectively. As of December 31, 2018, we had no availability under the current revolving credit facility (the “Revolving Credit Facility”). We may request an increase in (i) the Revolving Credit Facility and Tranche A Loans as would not cause the consolidated first lien leverage ratio, determined on a pro forma basis after giving effect to any such increase, to exceed 2.80:1.00 and (ii) the Tranche A 1 Loans, as would not cause the consolidated first lien leverage ratio, determined on a pro forma basis after giving effect to any such increase, to exceed (a) with respect to any increase, the proceeds of which will be used solely to finance an acquisition, 3.00:1.00 and (b) with respect to any other increase, 2.90:1.00, subject to the satisfaction of certain conditions in the New Amended BoA Credit Agreement. We may request one or more additional term loan facilities or the increase of term loan commitments under the New Amended FS/KKR Credit Agreement as would not cause the consolidated total leverage ratio, determined on a pro forma basis after giving effect to any such addition and increase, to exceed 6.00:1.00, subject to the satisfaction of certain conditions in the New Amended FS/KKR Credit Agreement. We made $28.9 million of principal repayments under our loan agreements during the year ended December 31, 2018.

Contractual Obligations

Our material contractual obligations as of December 31, 2018 are summarized as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(in thousands)				
Operating leases	$ 89,292	$ 6,481	$ 12,647	$ 12,539	$ 57,626
Guaranteed payments in connection with acquisitions	4,202	3,000	1,202	-	-
Long-term debt obligations:					
Term Loans	519,850	28,300	56,600	166,600	268,350
Revolving Loan	115,000	-	-	115,000	-
Total	$ 728,344	$ 37,781	$ 70,449	$ 294,139	$ 325,976

Future Capital Requirements

We believe cash on hand and cash from operations will be sufficient to meet our capital requirements for the twelve months following the filing of this Form 10-K. We intend to continue financing future brand acquisitions through a combination of cash from operations, bank financing and the issuance of additional equity or debt securities. The extent of our future capital requirements will depend on many factors, including our results of operations and growth through the acquisition of additional brands, and we cannot be certain that we will be able to obtain additional financing in sufficient amounts or on acceptable terms in the near future, if at all.

Off-Balance Sheet Arrangements

At December 31, 2018 and 2017, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As a result, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

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Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements for a full description of recent accounting pronouncements including the respective expected dates of adoption and effects on financial conditions and results of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We limit exposure to foreign currency fluctuations by requiring payment under the majority of our licenses to be denominated in U.S. dollars. One of our licenses is denominated in Canadian dollars. If there were an adverse change in the exchange rate from Canadian to U.S. dollars of 10%, the expected effect on net income would be immaterial.

Our earnings may also be affected by changes in LIBOR interest rates as a result of our loan agreements. As further discussed in Note 10 to our consolidated financial statements, we have entered into interest rate swaps and interest rate caps to mitigate the effects of a change in LIBOR interest rates. An increase in LIBOR interest rates of one percent affecting the loan agreements would not have had a material effect on our results of operations during the years ended December 31, 2018, 2017 and 2016.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required to be submitted in response to this Item 8 are set forth after Part IV, Item 15 of this Annual Report on Form 10 K and are incorporated by reference into this Item 8.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a 15(e) and 15d 15(e) of the Exchange Act) as of December 31, 2018, the end of the period covered by this report. Based on, and as of the date of such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2018 such that the information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a 15(f) and 15d 15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework, as issued in 2013. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2018, based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate. The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by CohnReznick LLP, an independent registered public accounting firm, as stated in their report provided below.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Sequential Brands Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Sequential Brands Group, Inc. and Subsidiaries' (the Company's) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets and the related consolidated statements of operations, comprehensive (loss) income, changes in equity and cash flows and the financial statement schedule listed in the index appearing under Item 15(a) of the Company and our report dated March 14, 2019, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ CohnReznick LLP

New York, New York

March 14, 2019

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained under the captions "Directors and Executive Officers" and "Corporate Governance" in the definitive proxy statement for the annual meeting of stockholders to be held on June 7, 2019 (the "Proxy Statement") to be filed with the SEC within 120 days after December 31, 2018, which information is incorporated herein by reference in response to this item.

Code of Ethics

We have adopted a Code of Ethics applicable to all members of our Board and to all of our employees and executive officers, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics constitutes a "code of ethics" as defined by applicable SEC rules and a "code of conduct" as defined by applicable Nasdaq rules. Our code of ethics is posted on our website located at www.sequentialbrandsgroup.com in the section titled "Investor Relations—Corporate Governance." You may also request a copy of the Code of Ethics by writing or calling us at:

SEQUENTIAL BRANDS GROUP, INC.

Attn: Investor Relations

601 West 26th Street, Suite 900

New York, New York 10001

Tel.: (646) 564 2577

Any amendment or waiver of the Code of Ethics pertaining to a member of our Board or one of our executive officers will be disclosed on our website within four business days.

Item 11. Executive Compensation

The information required by this item will be contained under the caption "Executive Compensation" in the Proxy Statement, which information is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement, which information is incorporated herein by reference in response to this item.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained under the captions "Certain Relationships and Related Transactions" and "Corporate Governance" in the Proxy Statement, which information is incorporated herein by reference in response to this item.

Item 14. Principal Accounting Fees and Services

The information required by this item will be contained under the caption "Principal Accounting Fees and Services" in the Proxy Statement, which information is incorporated herein by reference in response to this item.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

1. Financial Statements.

See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.

2. Financial Statement Schedules.

Schedule II – Valuation and Qualifying Accounts is required to be filed by Item 8 of the Annual Report on Form 10-K.

All other schedules are omitted because the information is inapplicable or presented in the Notes to the Consolidated Financial Statements.

3. Exhibits. See Item 15(b) below.

(b) Exhibits. See Exhibit Index, which is incorporated herein by reference.

(c) Financial Statement Schedule. See Item 15(a) above.

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Membership Interest Purchase Agreement, dated as of June 10, 2016, between SBG-Gaiam Holdings, LLC (formerly known as Stretch & Bend Holdings, LLC), Sequential Brands Group, Inc. and GAIAM, Inc. Incorporated by reference to Exhibit 2.1 to Sequential Brands Group, Inc.'s Current Report on Form 8 K filed with the Securities and Exchange Commission on May 16, 2016. *
3.1	Amended and Restated Certificate of Incorporation of Sequential Brands Group, Inc. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8 K, filed as an 8 K12B, on December 4, 2015.
3.2	Amended and Restated Bylaws of Sequential Brands Group, Inc., effective as of December 4, 2015. Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8 K, filed as an 8 K12B, filed on December 4, 2015.
10.1	Form of Indemnity Agreement. Incorporated by reference to Exhibit 10.12 to SQBG's Registration Statement on Form SB 2 (File No. 333 130930) filed on January 9, 2006.
10.2	Preemptive Rights and Board Nominee Agreement by and between Sequential Brands Group, Inc. (as successor to SQBG) and Tennman WR-T, Inc. effective as of October 1, 2011. Incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10 Q of SQBG, Inc. (previously known as Sequential Brands Group, Inc.) (SEC File No. 001-36082) ("SQBG") filed on November 21, 2011.
10.3	Sequential Brands Group, Inc. 2013 Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S 8 (Registration No. 333 208343) filed on December 4, 2015.†
10.4	2005 Stock Incentive Plan of People's Liberation. Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S 8 (Registration No. 333 208343) filed on December 4, 2015 †
10.5	Registration Rights Agreement, dated as of August 15, 2014, by and between SQBG and Carlyle Equity Opportunity GP, L.P., as the representative of the former stockholders and optionholders of Galaxy Brand Holdings, Inc. Incorporated by reference to Exhibit 10.1 to SQBG's Current Report on Form 8 K filed on August 18, 2014.
10.6	Form of Common Stock Purchase Warrant. Incorporated by reference to Exhibit 10.5 to SQBG's Current Report on Form 8 K filed on August 18, 2014.
10.7	Registration Rights Agreement, dated as of June 22, 2015, by and among Sequential Brands Group, Inc., Martha Stewart, Martha Stewart Family Limited Partnership, Alexis Stewart, the Martha Stewart 1999 Family Trust, the Martha Stewart 2000 Family Trust and the Martha and Alexis Stewart Charitable Foundation. Incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S 4 (File No. 333 205940) filed on July 30, 2015.
10.8	Employment Agreement, dated as of June 22, 2015, by and between the Company and Martha Stewart. Incorporated by reference to Exhibit 99.1 to SQBG's Current Report on Form 8 K filed on June 23, 2015. †

10.9	Amended and Restated Intellectual Property License and Preservation Agreement, dated as of June 22, 2015, by and between Martha Stewart and MSLO. Incorporated by reference to Exhibit 10.2 to Martha Stewart Living Omnimedia, Inc.'s Current Report on Form 8 K filed on June 23, 2015. †

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10.10	Amended and Restated Intangible Asset License Agreement, dated as of June 22, 2015, by and between Lifestyle Research Center, LLC and MSLO. Incorporated by reference to Exhibit 10.3 to Martha Stewart Living Omnimedia, Inc.'s Current Report on Form 8 K filed on June 23, 2015. †
10.11	Assignment and Assumption Agreement, dated as of March 4, 2016, by and between SQBG, Inc. and Sequential Brands Group, Inc. Incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10 K filed on March 14, 2016. †
10.12	Form of Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan Nonqualified Stock Option Award Agreement and form of related Notice. Incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10 K filed on March 14, 2016. †
10.13	Form of Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan Restricted Stock Award Agreement and form of related Notice. Incorporated by reference to Exhibit 10.37 to our Annual Report on Form 10 K filed on March 14, 2016. †
10.14	Form of Sequential Brands Group, Inc. 2013 Stock Incentive Compensation Plan Performance Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.38 to our Annual Report on Form 10 K filed on March 14, 2016. †
10.15	Assignment and Assumption Agreement dated as of May 10, 2016, between SBG-Gaiam Holdings, LLC (formerly known as Stretch & Bend Holdings, LLC), Sequential Brands Group, Inc. and Fit for Life LLC. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8 K filed with the Securities and Exchange Commission on May 16, 2016.
10.16	Third Amended and Restated Credit Agreement, dated as of July 1, 2016, between Sequential Brands Group, Inc., certain subsidiaries of Sequential Brands Group, Inc. named therein, Bank of America, N.A., as administrative agent and collateral agent and the lenders party thereto. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8 K filed with the Securities and Exchange Commission on July 7, 2016.
10.17	First Amendment, dated August 7, 2018, to the Third Amended and Restated Credit Agreement, dated as of July 1, 2016, between Sequential Brands Group, Inc., certain subsidiaries of Sequential Brands Group, Inc. named therein, Bank of America, N.A., as administrative agent and collateral agent and the lenders party thereto. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2018.
10.18	Third Amended and Restated Credit Agreement, dated as of July 1, 2016, between Sequential Brands Group, Inc., certain subsidiaries of Sequential Brands Group, Inc. named therein, Wilmington Trust, National Association, as administrative agent and collateral agent and the lenders party thereto. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8 K filed with the Securities and Exchange Commission on July 7, 2016.
10.19	First Amendment, dated August 7, 2018, to the Third Amended and Restated Credit Agreement, dated as of July 1, 2016, between Sequential Brands Group, Inc., certain subsidiaries of Sequential Brands Group, Inc. named therein, Wilmington Trust, National Association, as administrative agent and collateral agent and the lenders party thereto. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2018.

10.20	Amendment No. 1, dated as of July 1, 2016, to the Intercreditor Agreement, dated as of December 4, 2015, between Bank of America, N.A., as administrative agent and collateral agent and Wilmington Trust, National Association, as administrative agent and collateral agent, and acknowledged by Sequential Brands Group, Inc. and the guarantors party thereto. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2016.

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10.21	Employment agreement, dated as of August 22, 2016, by and between Sequential Brands Group, Inc. and Andrew Cooper. Incorporated by reference to Exhibit 10.1 to Sequential Brands Group, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 24, 2016. †
10.22	Employment agreement, dated as of March 22, 2017, by and between Sequential Brands Group, Inc. and Karen Murray. Incorporated by reference to Exhibit 10.1 to Sequential Brands Group, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 28, 2017. †
10.23	Employment agreement, dated as of February 27, 2018, by and between Sequential Brands Group, Inc. and Peter Lops. Incorporated by reference to Exhibit 10.1 to Sequential Brands Group, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 5, 2018. †
21.1 +	Subsidiaries of Sequential Brands Group, Inc.
23.1 +	Consent of Independent Registered Public Accounting Firm.
31.1 +	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2 +	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1 +	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS +	XBRL Instance Document
101.SCH +	XBRL Taxonomy Extension Schema Document
101.CAL +	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF +	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB +	XBRL Taxonomy Extension Label Linkbase Document
101.PRE +	XBRL Taxonomy Extension Presentation Linkbase Document

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* Pursuant to Item 601(b)(2) of Regulation S-K, the schedules to this agreement have been omitted. The Registrant undertakes to supplementally furnish a copy of the omitted schedules to the Securities and Exchange Commission upon request.

† Each a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

\+ Filed herewith.

Item 16. Form 10 K Summary

Not Applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, thereunto duly authorized.

SEQUENTIAL BRANDS GROUP, INC.

Date: March 14, 2019 /s/ Karen Murray
By: Karen Murray
Title: Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Karen Murray Karen Murray	Chief Executive Officer, Director (Principal Executive Officer)	March 14, 2019
/s/ Peter Lops Peter Lops	Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2019
/s/ William Sweedler William Sweedler	Chairman of the Board of Directors	March 14, 2019
/s/ Rodney Cohen Rodney Cohen	Director	March 14, 2019
/s/ Al Gossett Al Gossett	Director	March 14, 2019
/s/ Aaron Hollander Aaron Hollander	Director	March 14, 2019
/s/ Gary Johnson Gary Johnson	Director	March 14, 2019
/s/ Stewart Leonard, Jr. Stewart Leonard, Jr.	Director	March 14, 2019
/s/ Martha Stewart Martha Stewart	Director	March 14, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Sequential Brands Group, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sequential Brands Group, Inc. and Subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive (loss) income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and the financial statement schedule listed in the index appearing under Item 15(a) (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2019, expressed an unqualified opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2013.

New York, New York

March 14, 2019

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SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	December 31, 2018	2017
Assets		
Current Assets:		
Cash	$ 14,106	$ 18,902
Restricted cash	2,032	1,531
Accounts receivable, net	66,202	60,102
Prepaid expenses and other current assets	11,224	8,635
Total current assets	93,564	89,170
Property and equipment, net	8,971	7,035
Intangible assets, net	964,911	995,170
Other assets	11,222	5,836
Total assets	$ 1,078,668	$ 1,097,211
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 23,527	$ 19,126
Current portion of long-term debt	28,300	28,300
Current portion of deferred revenue	11,695	8,102
Total current liabilities	63,522	55,528
Long-term debt, net of current portion	582,487	602,297
Long-term deferred revenue, net of current portion	8,224	11,845
Deferred income taxes	67,002	67,799
Other long-term liabilities	12,789	6,204
Total liabilities	734,024	743,673
Commitments and Contingencies		
Equity:		
Preferred stock Series A, $0.01 par value; 10,000,000 shares authorized; none issued and outstanding at December 31, 2018 and 2017	-	-
Common stock, $0.01 par value; 150,000,000 shares authorized; 65,990,179 and 63,652,721 shares issued at December 31, 2018 and 2017, respectively, and 64,327,582 and 63,227,727 shares outstanding at December 31, 2018 and 2017, respectively	657	635
Additional paid-in capital	513,764	508,444
Accumulated other comprehensive (loss) income	(1,554)	80
Accumulated deficit	(234,723)	(225,369)
	(4,226)	(1,799)

Treasury stock, at cost; 1,662,597 and 424,994 shares at December 31, 2018 and 2017, respectively		
Total Sequential Brands Group, Inc. and Subsidiaries stockholders' equity	273,918	281,991
Noncontrolling interests	70,726	71,547
Total equity	344,644	353,538
Total liabilities and equity	$ 1,078,668	$ 1,097,211

See Notes to Consolidated Financial Statements.

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SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Year Ended December 31, 2018	2017	2016
Net revenue	$ 169,956	$ 167,464	$ 155,528
Operating expenses	87,767	79,443	85,392
Impairment charges	17,899	340,628	-
Loss on sale of assets	7,117	-	-
Income (loss) from operations	57,173	(252,607)	70,136
Other expense	693	1,583	3,810
Interest expense, net	62,152	59,891	50,538
(Loss) income before income taxes	(5,672)	(314,081)	15,788
(Benefit from) provision for income taxes	(694)	(132,535)	9,157
Net (loss) income	(4,978)	(181,546)	6,631
Net income attributable to noncontrolling interests	(5,506)	(4,172)	(7,452)
Net loss attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (10,484)	$ (185,718)	$ (821)
Loss per share attributable to Sequential Brands Group, Inc. and Subsidiaries:			
Basic and diluted	$ (0.16)	$ (2.95)	$ (0.01)
Weighted-average common shares outstanding:			
Basic and diluted	63,700,081	62,861,743	61,912,410

See Notes to Consolidated Financial Statements.

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SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net (loss) income	$ (4,978)	$ (181,546)	$ 6,631
Other comprehensive (loss) income:			
Unrealized gain on equity securities	-	-	2,062
Reclassification adjustment related to impairment of equity securities	-	-	4,375
Unrealized (loss) gain on interest rate caps	(80)	224	(144)
Unrealized (loss) gain on interest rate swaps	(1,554)	-	29
Other comprehensive (loss) income	(1,634)	224	6,322
Comprehensive (loss) income	(6,612)	(181,322)	12,953
Comprehensive income attributable to noncontrolling interests	(5,506)	(4,172)	(7,452)
Comprehensive (loss) income attributable to Sequential Brands Group, Inc. and Subsidiaries	$ (12,118)	$ (185,494)	$ 5,501

See Notes to Consolidated Financial Statements.

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SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(in thousands, except share data)

erred Stock		Common Stock		Additional Paid-in	Accumulated Other Comprehensive Income	Accumulated	Treasury Stock		Total Sequential Brands Group, Inc. and Subsidiaries Stockholders'
res	Amount	Shares	Amount	Capital	(Loss)	Deficit	Shares	Amount	Equity
	$ —	60,480,474	$ 605	$ 496,179	$ (6,466)	$ (38,830)	—	$ —	$ 451,488
	—	746,567	5	6,399	—	—	—	—	6,404
	—	1,375,000	14	(14)	—	—	—	—	—
	—	—	—	—	29	—	—	—	29
	—	—	—	—	6,437	—	—	—	6,437
	—	—	—	—	(144)	—	—	—	(144)
	—	—	—	—	—	—	(97,686)	(638)	(638)
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	(821)	—	—	(821)
	—	62,602,041	624	502,564	(144)	(39,651)	(97,686)	(638)	462,755
	—	1,050,680	11	5,900	—	—	—	—	5,911

—	—	—	-	—	—	—	—	—
—	—	—	(20)	—	—	—	—	(20)
—	—	—	—	224	—	—	—	224
—	—	—	—	—	—	(327,308)	(1,161)	(1,161)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	(185,718)	—	—	(185,718)
—	63,652,721	635	508,444	80	(225,369)	(424,994)	(1,799)	281,991
—	—	—	—	—	1,130	—	—	1,130
—	1,493,972	14	3,828	—	—	—	—	3,842
—	843,486	8	1,492	—	—	—	—	1,500
—	—	—	—	(80)	—	—	—	(80)
—	—	—	—	(1,554)	—	—	—	(1,554)
—	—	—	—	—	—	(1,237,603)	(2,427)	(2,427)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	(10,484)	—	—	(10,484)
$ —	65,990,179	$ 657	$ 513,764	$ (1,554)	$ (234,723)	(1,662,597)	$ (4,226)	$ 273,918

See Notes to Consolidated Financial Statements.

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SEQUENTIAL BRANDS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2018	2017	2016 (Note 2)
Cash Flows From Operating Activities			
Net (loss) income	$ (4,978)	$ (181,546)	$ 6,631
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Provision for bad debts	1,618	689	295
Depreciation and amortization	3,366	4,788	4,765
Stock-based compensation	3,842	5,911	6,404
Impairment of equity securities	-	-	4,375
Amortization of deferred financing costs	4,481	3,862	3,111
Loss on debt extinguishment	148	-	-
Impairment charges	17,899	340,628	-
Income from equity method investment	(61)	(22)	(9)
Loss on disposal of property and equipment	131	2	447
Realized loss on sale of equity securities	-	1,916	-
Loss on sale of assets	7,117	-	-
Deferred income taxes	(1,260)	(132,669)	9,581
Changes in operating assets and liabilities:			
Accounts receivable	(1,383)	(7,596)	(11,464)
Prepaid expenses and other assets	(7,994)	(6,350)	2,347
Accounts payable and accrued expenses	5,808	59	(5,132)
Deferred revenue	(4,415)	(3,336)	22,126
Other liabilities	8,581	1,874	125
Cash Provided By Operating Activities From Continuing Operations	32,900	28,210	43,602
Cash Used In Operating Activities From Discontinued Operations	-	-	(564)
Cash Provided By Operating Activities	32,900	28,210	43,038
Cash Flows From Investing Activities			
Cash paid for acquisitions, net of cash acquired	-	-	(146,883)
Cash paid for equity method investment	-	-	(704)
Investments in intangible assets, including registration and renewal costs	(295)	(335)	(500)
Proceeds from sale of equity securities	-	5,757	