

FRMO Corp. Announces Second Quarter 2019 Financial Results and Conference Call

WHITE PLAINS, N.Y. — January 14, 2019

FRMO Corp. (the “Company” or “FRMO”) (OTC Pink: FRMO) today reported its financial results for the 2019 second quarter, which ended November 30, 2018 (May Fiscal Year).

Financial Highlights

FRMO’s book value as of November 30, 2018 was \$175.5 million (\$3.99 per share on a fully diluted basis), including \$51.3 million of non-controlling interests. The figure from the prior fiscal year-end as of May 31, 2018 was \$146.9 million (\$3.34 per share), including \$27.6 million of non-controlling interests. Current assets, comprised primarily of cash and equivalents and equity securities, amounted to \$118.0 million as of November 30, 2018, and \$93.2 million as of May 31, 2018. Total liabilities were \$16.5 million as of November 30, 2018, compared to \$13.5 million as of May 31, 2018, the majority of each being deferred taxes.

FRMO’s net income attributable to the Company for the three months ended November 30, 2018 was \$583,997 (\$0.01 per share basic and diluted) compared to \$3,076,381 (\$0.07 per share) for the quarter ended November 30, 2017. For the six months ended November 30, 2018, net income was \$3,795,120 (\$0.09 per share basic and diluted) compared to \$5,263,820 (\$0.12 per share) for the same period in the prior year.

Income from operations was \$10,266,021 for the second quarter of fiscal 2019, compared to \$5,041,929 for the same period in the prior year. For the six months ended November 30, 2018, income from operations was \$24,839,530 compared to \$8,257,412 in the prior year. For the second quarter of fiscal 2019, comprehensive income attributable to the Company was \$583,997 compared to \$3,489,279 in the prior year. For the six months ended November 30, 2018, comprehensive income attributable to the Company was \$3,795,120 and for the prior year it was \$5,476,773.

FRMO’s net income attributable to the Company excluding the effect of unrealized gains from equity securities net of taxes for the three months ended November 30, 2018 was \$1,824,760 (\$0.04 per diluted share) compared to \$3,076,381 (\$0.07 per share) for the three months ended November 30, 2017. For the six months ended November 30, 2018, the amount was \$5,040,756 (\$0.11 per share) compared to \$5,263,820 (\$0.12 per share) for the same period in the prior year. Net income attributable to the Company excluding the effect of unrealized gains from equity securities net of taxes is a measure not based on GAAP and is defined and reconciled to the most directly comparable GAAP measures in “Information Regarding Non-GAAP Measures” at the end of this release.

As of November 30, 2018 and May 31, 2018, investments in limited partnerships and limited liability companies are valued using data inputs from September 30, 2018 and March 31, 2018, respectively, the dates of the most currently available information.

Further details are available in the Quarterly Report of the Company’s Interim Condensed Consolidated Financial Statements for the quarter ended November 30, 2018. These statements have been filed on the OTC Markets Group Disclosure and News Services, which may be accessed at www.otcmarkets.com/stock/FRMO/filings. These documents are also available on the FRMO website at www.frmocorp.com.

Conference Call

Murray Stahl, Chairman and CEO, and Steven Bregman, President and CFO, will host a conference call on Thursday, January 17, 2019 at 4:15 p.m. ET. *Only questions submitted to info@frmocorp.com before 1:00 p.m. on the day of the call will be considered.* The call can be accessed by dialing 1-855-710-4181 (domestic toll free) or 334-323-0516 (international toll) and entering the following conference ID: 5792922. A replay will be available from 7:15 p.m. on the day of the teleconference until Thursday, November 15, 2018. To listen to the archived call, dial 1-888-203-1112 (domestic toll free) or 719-457-0820 (international toll) and enter conference ID number 5792922.

Condensed Consolidated Balance Sheets

(in thousands)

	November 30, 2018	May 31, 2018
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 51,384	\$ 53,617
Equity securities, at fair value	65,667	38,522
Other current assets	960	1,095
Total Current Assets	118,011	93,234
Computer equipment, net of accumulated depreciation	102	76
Investment in limited partnerships and other equity investments, at fair value	47,613	41,407
Investments in stock exchanges	3,577	3,709
Other investments	321	189
Investment in Horizon Kinetics LLC	12,138	11,624
Participation in Horizon Kinetics LLC revenue stream	10,200	10,200
Total Assets	\$ 191,962	\$ 160,439
Liabilities and Stockholders' Equity		
Current Liabilities:		
Securities sold, not yet purchased	\$ 7,619	\$ 5,495
Other current liabilities	214	193
Total Current Liabilities	7,833	5,688
Deferred Tax Liability	8,613	7,757
Total Liabilities	16,446	13,445
Stockholders' Equity:		
Stockholders' Equity Attributable to the Company	124,237	119,411
Noncontrolling interests	51,279	27,583
Total Stockholders' Equity	175,516	146,994
Total Liabilities and Stockholders' Equity	\$ 191,962	\$ 160,439

Condensed Consolidated Statements of Operations

(amounts in thousands, except share data)

	Three Months Ended		Six Months Ended	
	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017
	(Unaudited)		(Unaudited)	
Revenue:				
Consultancy and advisory fees	\$ 500	\$ 525	\$ 1,042	\$ 964
Equity earnings from partnerships and limited liability companies	950	515	1,663	1,564
Unrealized gains from investments subject to fair value valuation	1,697	4,173	5,214	5,937
Equity earnings from investment in The Bermuda Stock Exchange	54	5	117	17
Other	(75)	50	179	187
Total revenue before unrealized gains from equity securities	3,126	5,268	8,215	8,669
Unrealized gains from equity securities	7,546	-	17,329	-
Total Revenue	10,672	5,268	25,544	8,669
Total Expenses	406	226	705	412
Income from Operations	10,266	5,042	24,839	8,257
Provision for Income Taxes	330	1,978	1,619	3,019
Net Income	9,936	3,064	23,220	5,238
Less net income (loss) attributable to noncontrolling interests	9,352	(12)	19,425	(26)
Net Income Attributable to FRMO Corporation	\$ 584	\$ 3,076	\$ 3,795	\$ 5,264
Diluted Net Income per Common Share	\$ 0.01	\$ 0.07	\$ 0.09	\$ 0.12
Weighted Average Common Shares Outstanding				
Basic	43,973,781	43,955,001	43,973,781	43,954,073
Diluted	44,021,101	43,955,001	44,022,432	44,005,034

About FRMO Corp.

FRMO Corp. invests in and receives revenues based upon consulting and advisory fee interests in the asset management sector.

FRMO had 43,973,781 shares of common stock outstanding as of November 30, 2018.

For more information, visit our website at www.frmocorp.com.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995 – With the exception of historical information, the matters discussed in this press release are forward-looking statements that involve a number of risks and uncertainties. Words like “believe,” “expect” and “anticipate” mean that these are our best estimates as of this writing, but that there can be no assurances that expected or anticipated results or events will actually take place, so our actual future results could differ significantly from those statements. Factors that could cause or contribute to such differences include, but are not limited to: our ability to maintain our competitive advantages, the general economics of the financial industry, our ability to finance growth, our ability to identify and close acquisitions on terms favorable to the Company, and a sustainable market.

Further information on our risk factors is contained in our quarterly and annual reports as filed on our website www.frmocorp.com and on www.otcm Markets.com/stock/FRMO/filings.

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Information Regarding Non-GAAP Measures

Net income attributable to the Company excluding the effect of unrealized gain (loss) from equity securities is net income attributable to the Company exclusive of unrealized gains or losses from equity securities, net of tax. Net income attributable to the Company is the GAAP measure most closely comparable to net income attributable to the Company excluding the effect of unrealized gain (loss) from equity securities.

Management uses net income attributable to the Company excluding the effect of unrealized gain (loss) from equity securities, along with other measures, to gauge the Company’s performance and evaluate results, which can be skewed when including unrealized gains from equity securities, which may vary significantly between periods. Net income attributable to the Company excluding the effect of unrealized gain (loss) from equity securities are provided as supplemental information, and are not a substitute for net income attributable to the Company and do not reflect the Company’s overall profitability.

The following table reconciles the net income attributable to the Company excluding the effect of unrealized gain (loss) from equity securities to net income attributable to the Company for the periods indicated:

	Three Months Ended November 30, 2018		Three Months Ended November 30, 2017		Six Months Ended November 30, 2018		Six Months Ended November 30, 2017	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share
(000's except per common share amounts and percentages)								
Net Income Attributable to the Company Excluding the Effect of Unrealized Gain (Loss) from Equity Securities and Diluted Earnings per Common Share Reconciliation:								
Net income attributable to the Company	\$ 584	\$ 0.01	\$ 3,076	\$ 0.07	\$ 3,795	\$ 0.09	\$ 5,264	\$ 0.12
Unrealized gains from equity securities	7,546		-		17,329		-	
Unrealized gains from equity securities attributable to noncontrolling interests	9,352		-		19,422		-	
Unrealized gain (loss) from equity securities attributable to the Company	(1,806)		-		(2,093)		-	
Tax benefit on unrealized gain (loss) from equity securities attributable to the company	565		-		848		-	
Unrealized gain (loss) from equity securities attributable to the Company, net of taxes	(1,241)	\$ (0.03)	-	\$ 0.00	(1,245)	\$ (0.03)	-	\$ 0.00
Net income attributable to the Company excluding the effect of unrealized gain (loss) from equity securities	\$ 1,825	\$ 0.04	\$ 3,076	\$ 0.07	\$ 5,040	\$ 0.11	\$ 5,264	\$ 0.12
Weighted average diluted shares outstanding	44,021,101		43,955,001		44,022,432		44,005,034	