

FRMO Corp. Announces Results for Fiscal 2020 and Virtual Annual Meeting

WHITE PLAINS, N.Y. — August 14, 2020

FRMO Corp. (the “Company” or “FRMO”) (OTC Pink: FRMO) today reported its financial results for the fiscal year 2020, ended May 31, 2020.

Financial Highlights

FRMO’s book value as of May 31, 2020 was \$161.9 million (\$3.68 per share on a fully diluted basis), including \$46.9 million of non-controlling interests. This compares with book value at the prior fiscal year ended May 31, 2019 of \$174.9 million (\$3.98 per share), including \$48.6 million of non-controlling interests. Current assets, comprised primarily of cash and equivalents and equity securities, amounted to \$104.8 million as of May 31, 2020, and \$118.3 million as of May 31, 2019. Total liabilities were \$11.8 million as of May 31, 2020, and \$16.7 million as of May 31, 2019, comprised primarily of securities sold, not yet purchased and deferred taxes.

Annual net (loss) income attributable to the Company in the fiscal year ended May 31, 2020 fell to \$(14.6) million, or \$(0.33) per share, from \$4.7 Million, or \$0.11 per share, a year earlier.

FRMO’s net (loss) income attributable to the Company excluding the effect of unrealized (loss) gain from equity securities net of taxes for the three months ended May 31, 2020 was \$(7,811,801) (\$(0.18) per diluted share) compared to \$3,398,500 (\$0.08 per diluted share) for the three months ended May 31, 2019. For the year ended May 31, 2020, the amount was \$(9,204,355) (\$(0.21) per share) compared to \$9,027,157 (\$0.21 per share) for the same period in the prior year. Net (loss) income attributable to the Company excluding the effect of unrealized (losses) 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 May 31, 2020 and May 31, 2019, the Company held a 19.23% and 15.49% equity interest in Horizon Kinetics Hard Assets LLC (“HKHA”), a company formed by Horizon Kinetics LLC and certain officers, principal stockholders and directors of FRMO Corp. (“the Company”). Due to the common control and ownership between HKHA and the Company’s principal stockholders and directors, HKHA has been consolidated within the Company’s financial statements. The noncontrolling interest of 80.77% and 84.51% in HKHA has been eliminated from results of operations for the periods ended May 31, 2020 and May 31, 2019.

Further details are available in the Company’s Consolidated Financial Statements for the fiscal year ended May 31, 2020. 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.

Annual Meeting

Murray Stahl, Chairman and CEO, and Steven Bregman, President and CFO, will host the 2020 Annual Meeting of Shareholders (“Meeting”) at 3 p.m. EST on Thursday, September 10, 2020, which will be held online via live webcast only at www.virtualshareholdermeeting.com/FRMO2020.

Admission to the FRMO virtual Annual Meeting is limited to stockholders who owned Common Stock as of the close of business on July 27, 2020, the record date, or their duly appointed proxies or properly registered

guests. Guests may register for the webcast by entering their first and last names and a valid email address. Only shareholders with valid control numbers will be able to vote and ask questions at the Annual Meeting. Shareholders and guests may submit questions in advance to info@frmocorp.com by 11:59 P.M. Eastern Time on Wednesday, September 9, 2020 (the day before the Annual Meeting).

Condensed Consolidated Balance Sheets

(in thousands)

	<u>May 31, 2020</u>	<u>May 31, 2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 38,443	\$ 53,081
Equity securities, at fair value	63,836	63,565
Other current assets	2,536	1,639
Total Current Assets	<u>104,815</u>	<u>118,285</u>
Investment in limited partnerships and other equity investments, at fair value	40,898	47,513
Investments in securities exchanges	5,061	3,641
Other assets	1,807	547
Investment in Horizon Kinetics LLC	10,876	11,488
Participation in Horizon Kinetics LLC revenue stream	10,200	10,200
Total Assets	<u>\$ 173,657</u>	<u>\$ 191,674</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Securities sold, not yet purchased	\$ 4,136	\$ 8,133
Other current liabilities	185	161
Total Current Liabilities	<u>4,321</u>	<u>8,294</u>
Deferred Tax Liability	6,701	8,383
Mortgage payable	751	-
Total Liabilities	<u>11,773</u>	<u>16,677</u>
Stockholders' Equity:		
Stockholders' Equity Attributable to the Company	114,993	126,384
Noncontrolling interests	46,891	48,613
Total Stockholders' Equity	<u>161,884</u>	<u>174,997</u>
Total Liabilities and Stockholders' Equity	<u>\$ 173,657</u>	<u>\$ 191,674</u>

Condensed Consolidated Statements of Income (Loss)

(amounts in thousands, except share data)

	Three Months Ended		Years Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
	(Unaudited)			
Revenue:				
Consultancy and advisory fees	\$ 567	\$ 522	\$ 2,264	\$ 2,027
Equity earnings (loss) from partnerships and limited liability companies	3,649	2,360	5,519	2,560
Unrealized (losses) gains from investments recorded at fair value	(10,097)	1,283	(12,559)	3,839
Other	(3,706)	863	(1,926)	4,414
Total revenue before unrealized (losses) gains from equity securities	(9,587)	5,028	(6,702)	12,840
Unrealized (losses) gains from equity securities recorded at fair value	(9,091)	(3,376)	(15,440)	6,725
Total Revenue	(18,678)	1,652	(22,142)	19,565
Total Expenses	323	345	1,337	1,332
(Loss) Income from Operations	(19,001)	1,307	(23,479)	18,233
(Benefit from) Provision for Income Taxes	(3,420)	661	(152)	1,026
Net (Loss) Income	(15,581)	646	(23,327)	17,207
Less net (loss) income attributable to noncontrolling interests	(6,249)	(955)	(8,763)	12,498
Net (Loss) Income Attributable to FRMO Corporation	\$ (9,332)	\$ 1,601	\$ (14,564)	\$ 4,709
Diluted Net (Loss) Income per Common Share	\$ (0.21)	\$ 0.04	\$ (0.33)	\$ 0.11
Weighted Average Common Shares Outstanding				
Basic	44,032,781	43,976,781	44,020,024	43,974,940
Diluted	44,032,781	44,015,088	44,020,024	44,016,535

About FRMO Corp.

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

FRMO had 44,032,781 shares of common stock outstanding as of May 31, 2020.

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.otcmartets.com/stock/FRMO/filings.

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Information Regarding Non-GAAP Measures

Net income (loss) attributable to the Company excluding the effect of unrealized gain (loss) from equity securities is net income (loss) attributable to the Company exclusive of unrealized gains or losses from equity securities, net of tax. Net income (loss) attributable to the Company is the GAAP measure most closely comparable to net income (loss) 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 (losses) from equity securities, which may vary significantly between periods. Net income (loss) 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 (loss) attributable to the Company and do not reflect the Company's overall profitability.

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

	Three Months Ended May 31, 2020 (Unaudited)		Three Months Ended May 31, 2019 (Unaudited)		Year Ended May 31, 2020		Year Ended May 31, 2019	
	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 (Loss) Gain from Equity Securities and Diluted Earnings per Common Share Reconciliation:								
Net (loss) income attributable to the Company	<u>\$ (9,332)</u>	<u>\$ (0.21)</u>	<u>\$ 1,601</u>	<u>\$ 0.04</u>	<u>\$ (14,564)</u>	<u>\$ (0.33)</u>	<u>\$ 4,709</u>	<u>\$ 0.11</u>
Unrealized (loss) gain from equity securities	(9,091)		(3,376)		(15,440)		6,725	
Unrealized (loss) gain from equity securities attributable to noncontrolling interests	<u>(7,766)</u>		<u>(1,319)</u>		<u>(10,285)</u>		<u>12,135</u>	
Unrealized (loss) gain from equity securities attributable to the Company	(1,325)		(2,057)		(5,155)		(5,410)	
Tax benefit on unrealized (loss) gain from equity securities attributable to the company	<u>(194)</u>		<u>260</u>		<u>(205)</u>		<u>1,092</u>	
Unrealized (loss) from equity securities attributable to the Company, net of taxes	<u>(1,519)</u>	<u>\$ (0.03)</u>	<u>(1,797)</u>	<u>\$ (0.04)</u>	<u>(5,360)</u>	<u>\$ (0.12)</u>	<u>(4,318)</u>	<u>\$ (0.10)</u>
Net (loss) income attributable to the Company excluding the effect of unrealized (loss) gain from equity securities	<u>\$ (7,813)</u>	<u>\$ (0.18)</u>	<u>\$ 3,398</u>	<u>\$ 0.08</u>	<u>\$ (9,204)</u>	<u>\$ (0.21)</u>	<u>\$ 9,027</u>	<u>\$ 0.21</u>
Weighted average diluted shares outstanding	<u>44,032,781</u>		<u>44,015,088</u>		<u>44,020,024</u>		<u>44,016,535</u>	