# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

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# FORM 6-K

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**Report of Foreign Private Issuer**
**Pursuant to Section 13(a) -16 or 15(d) – 16**
**Of the Securities Exchange Act of 1934**
**For the month of December 2020**
**000-23697**
**(Commission file number)**

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# EROS STX GLOBAL CORPORATION

(Exact name of registrant as specified in its charter)

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**3900 West Alameda Avenue, 32nd Floor**
**Burbank, California 91505**
**Tel: (818) 524-7000**
**(Address of principal executive office)**

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F ☑ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

**Incorporation by Reference**

This Report on Form 6-K shall be incorporated by reference into the Registrant's registration statements (File Nos. 333-227380 and 333-223643), as filed with the U.S. Securities and Exchange Commission (the "SEC"), to the extent not superseded by documents or reports subsequently filed or furnished by the Registrant under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act").

## INFORMATION CONTAINED IN THIS FORM 6-K REPORT

**Explanatory Note**

On August 4, 2020, Eros International Plc (now known as Eros STX Global Corporation), an Isle of Man company limited by shares ("Eros") submitted a Report of Foreign Private Issuer on Form 6-K to the Securities and Exchange Commission the ("SEC"), announcing the completion of the merger between an indirect subsidiary of Eros and STX Filmworks, Inc., a Delaware Corporation ("STX"), in accordance with the terms of an Agreement and Plan of Merger, dated as of April 17, 2020 (as amended, restated or otherwise modified from time to time, the "Merger Agreement") by and among Eros, STX, England Holdings 2, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Eros ("England Holdings 2") and England Merger 1 Corp. (f/k/a England Merger Corp.), a Delaware corporation and direct wholly owned subsidiary of England Holdings 2 ("Merger Sub"). On July 30, 2020, pursuant to the Merger Agreement, Merger Sub merged with and into STX, with STX surviving as the surviving corporation and a direct wholly owned subsidiary of England Holdings 2 (the "Merger").

The Merger was accounted for as a business combination using the acquisition method of accounting under the provisions of ASC 805, with STX selected as the accounting acquirer under this guidance. Consequently, our historical financial statements (in all subsequent financial statements that reflect the Merger) are those of STX.

Attached hereto as Exhibit 99.1 is the Unaudited Pro Forma Condensed Combined Financial Information of STX for the fiscal year ended March 31, 2020.

Attached hereto as Exhibit 99.2 is the unaudited interim financial statements of STX for the three months ended June 30, 2020 and the comparative period for 2019.

Attached hereto as Exhibit 99.3 is certain information pertaining to the company, including STX results of operations for the three month period ended June 30, 2020.

**Cautionary Statement Regarding Forward-Looking Statements**

Information provided in this Report of Foreign Private Issuer on Form 6-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act, and such statements are subject to the safe harbors created thereby. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "aim," "approximately," "anticipate," "believe," "estimate," "continue," "could," "expect," "forecast," "future," "going forward," "intend," "is/are likely to" "may," "objective," "ought to," "outlook," "plan," "potential," "predict," "project," "schedules," "seek," "should," "target," "will" and similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources, tax assessment orders and future capital expenditures. All such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including, without limitation: our ability to successfully and cost-effectively source film content; our ability to achieve the desired growth rate of Eros Now, its digital over-the-top ("OTT") entertainment service; our ability to maintain or raise sufficient capital; delays, cost overruns, cancellation or abandonment of the completion or release of the combined company's films; our ability to predict the popularity of its films, or changing consumer tastes; our ability to maintain existing rights, and to acquire new rights, to film content; our ability to successfully defend any future class action lawsuits it is a party to in the U.S.; anonymous letters to regulators or business associates or anonymous allegations on social media regarding our business practices, accounting practices and/or officers and directors; our dependence on the Indian box office success of its Hindi and high budget Tamil and Telugu films; our ability to recoup the full amount of box office revenues to which it is entitled due to underreporting of box office receipts by theater operators; our dependence on its relationships with theater operators and other industry participants to exploit our film content; our ability to mitigate risks relating to distribution and collection in international markets; fluctuation in the value of the Indian rupee against foreign currencies; our ability to compete in the Indian film industry; our ability to compete with other forms of entertainment; our ability to combat piracy and to protect its intellectual property; our ability to maintain an effective system of internal control over financial reporting; contingent liabilities that may materialize, our exposure to liabilities on account of unfavorable judgments/decisions in relation to legal proceedings involving the combined company or its subsidiaries and certain of its directors and officers; our ability to successfully respond to technological changes; regulatory changes in the Indian film industry and the combined company's ability to respond to them; our ability to satisfy debt obligations, fund working capital and pay dividends; the monetary and fiscal policies of India and other countries around the world, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices; the combined company's ability to address the risks associated with acquisition opportunities; risks that the ongoing novel coronavirus pandemic and its spread, and related public health measures in India and elsewhere, may have material adverse effects on the combined company's business, financial position, results of operations and/or cash flows; challenges, disruptions and costs of closing the Merger and related transactions, integrating the Eros and STX businesses and achieving anticipated synergies, and the risk that such synergies will take longer to realize than expected or may not be realized in whole or in part; the amount of any costs, fees, expenses, impairments and charges related to the Merger and related transactions; uncertainty as to the effects of the consummation of the Merger and related transactions on the market price of the Eros A Ordinary Shares and/or our financial performance; and uncertainty as to the long-term value of the combined company's ordinary shares.

The forward-looking statements contained in this Report of Foreign Private Issuer on Form 6-K are based on historical performance and management's current plans, estimates and expectations in light of information currently available and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting the combined company will be those that it has anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond the combined company's control. Should one or more of these risks or uncertainties materialize or should any of the combined company's assumptions prove to be incorrect, the combined company's actual results may vary in material respects from what the combined company may have expressed or implied by these forward-looking statements. The combined company cautions that you should not place undue reliance on any of its forward-looking statements. Any forward-looking statement made by the combined company in this communication speaks only as of the date on which the combined company makes it. Factors or events that could cause the combined company's actual results to differ may emerge from time to time, and it is not possible for the combined company to predict all of them. The combined company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

| Exhibit No. | Description |
|---|---|
| 99.1 | Unaudited Pro Forma Condensed Combined Financial Information of STX |
| 99.2 | Unaudited interim financial statements of STX for the three months ended June 30, 2020 |
| 99.3 | Company Information and STX Results of Operations for the Period Ended June 30, 2020 |

## SIGNATURES

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

**EROS STX GLOBAL CORPORATION**

By: /s/ Andrew Warren

Date: December 16, 2020

Name: Andrew Warren
Title: Chief Financial Officer

# UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

*Introduction*

Eros International Plc ("Eros") and STX Filmworks, Inc., ("STX") entered into an Agreement and Plan of Merger, dated April 17, 2020 (the "Merger Agreement") following a period of negotiations that commenced in July of 2019. The Merger Agreement was in part based upon a preliminary, non-binding term sheet signed by Eros and STX on November 11, 2019 (the "Non-Binding Term Sheet") in respect of a potential "merger of equals" transaction. As of July 30, 2020, pursuant to the Merger Agreement, Merger Sub, a subsidiary of Eros, merged with and into STX (the "Merger" or "Transaction"), with STX surviving as an indirect and wholly owned subsidiary of Eros. Following the Merger, Eros changed its corporate name to Eros STX Global Corporation ("Eros STX"). Eros STX, as the combined company following the Merger, is referred to herein as the "combined company" or the "Company."

The following Unaudited Pro forma Condensed Combined Financial Statements of STX present the combination of the financial information of STX and Eros, adjusted to give effect to the Merger. The following Unaudited Pro forma Condensed Combined Financial Information has been prepared in accordance with Article 11 of Regulation S-X. The Merger is being accounted for as a reverse merger using the acquisition method with STX as the accounting acquirer in accordance with ASC 805, *Business Combinations*. Under this method of accounting the purchase price will be allocated to Eros' assets acquired and liabilities assumed based upon their estimated fair values at the date of consummation of the Merger.

The total consideration for the acquisition of Eros is approximately $676.5 million, which represents the fair value of shares issued to Eros holders of approximately $521.2 million (calculated by multiplying $2.94, the average closing price of Class A shares on the NYSE from July 30, 2020 to August 3, 2020, by 177,277,956 Class A and Class B shares issued to Eros holders) and assumed short term and long-term borrowings of approximately $155.3 million. For the purposes of this Unaudited Pro Forma Condensed Combined Financial Statements, we assumed that the fair value of Class B shares approximates the fair value of Class A shares, the carrying amount of short-term borrowings approximate their estimated fair value due to the short-term maturity and long-term borrowings subject to variable rate approximate their fair value.

The Unaudited Pro forma Condensed Combined balance sheet as of June 30, 2020 combines the historical balance sheet of STX and the March 31, 2020 historical balance sheet of Eros, on a pro forma basis as if the Merger and related transactions, summarized below, had been consummated on June 30, 2020. The Unaudited Pro forma Condensed Combined statement of operations for the twelve-month period ended June 30, 2020, combines the historical statement of operations of STX for the twelve months ended June 30, 2020 and the historical statement of operations of Eros for the twelve-month period ended March 31, 2020 on a pro forma basis as if the Merger and related transactions, summarized below, had been consummated on July 1, 2019.

The historical condensed combined financial statements are presented in U.S. dollars and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The historical consolidated financial statements of Eros are presented in U.S. Dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

As described in the accompanying notes, the Unaudited Condensed Combined Pro Forma Financial Statements have been prepared using the acquisition method of accounting and the regulations of the Securities and Exchange Commission (the "SEC"). The historical financial statements have been adjusted in the Unaudited Condensed Combined Pro Forma Financial Statements to give effect to pro forma events that are (i) directly attributable to the Merger; (ii) factually supportable; and (iii) with respect to the Unaudited Pro Forma Condensed Combined Statement of Operations, expected to have a continuing impact on the combined company's results.

The Unaudited Pro Forma Condensed Combined Financial Statements have been developed from and should be read in conjunction with:

- the accompanying notes to the Unaudited Condensed Combined Pro Forma Financial Statements;

- the historical unaudited financial statements of STX as of and for the three months ended June 30, 2020 and the related notes, attached as Exhibit 99.2 to the Company's Report of Foreign Private Issuer on Form 6-K, submitted to the United States Securities and Exchange Commission (the "SEC") on December 16, 2020;

- the historical audited financial statements of STX as of and for the year ended September 30, 2019 and the related notes, included in the Company's Transition Report on Form 20-F, submitted to the SEC on October 30, 2020;

- STX's audited balance sheet as of March 31, 2020 and the audited consolidated statement of operations for the six months ended March 31, 2020 and the related notes, included in the Company's Transition Report on Form 20-F, submitted to the SEC on October 30, 2020;

- the historical audited financial statements of Eros as of and for the year ended March 31, 2020 and the related notes, included in Eros' Annual Report on Form 20-F, submitted to the SEC on July 30, 2020;

- other information relating to the Merger, STX and Eros contained in (i) Eros' Annual Report on Form 20-F, submitted to the SEC on July 30, 2020, including the Merger Agreement and the description of certain terms thereof set forth in the section entitled "Item 2—Additional Information—Material contracts" and (ii) the Company's Report of Foreign Private Issuer on Form 6-K, submitted to the SEC on August 4, 2020.

The Unaudited Pro forma Condensed Combined Statement of Operations exclude non-recurring items, which are directly related to the Merger. Additionally, certain pro forma adjustments have been made to the historical consolidated Eros financial statements in order to (i) convert them from IFRS to U.S. GAAP; and (ii) conform their accounting and presentation policies to those applied by STX.

Under the acquisition method of accounting, the total acquisition consideration, calculated as described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements, has been preliminarily allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values with the excess allocated to goodwill. Since the Unaudited Condensed Combined Pro Forma Financial Statements have been prepared based on preliminary acquisition consideration and fair values attributable to the Merger, the actual amounts recorded for the Merger will likely differ from the information presented, and any differences may be material. The estimation and allocation of acquisition consideration is subject to change pending further review of the fair value of the assets acquired and liabilities assumed. A final determination of fair values will be based on the actual net tangible and intangible assets and liabilities of Eros once the final valuation is completed.

The Unaudited Condensed Combined Pro Forma Financial Statements do not reflect the realization of any expected cost savings or other synergies from the Merger, including cost savings initiatives planned subsequent to the completion of the Merger. Although management believes such cost savings and other synergies will be realized following the Merger, there can be no assurance that these cost savings or any synergies will be achieved in full or at all.

The Unaudited Condensed Combined Pro Forma Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of the Company would have been had the Merger occurred on the dates assumed, nor do they purport to be indicative of future consolidated results of operations or consolidated financial position.

## UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
## AS OF JUNE 30, 2020
## (in thousands)

| | STX Filmworks (Note 1) | EROS (Note 1) | EROS Pro Forma GAAP and Reclassification Policy Adjustments (Note 2) | Note 5 | Pro Forma EROS | Pro Forma Adjustments | Note 6 | Pro Forma Combined |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash and cash equivalents | $ 55,756 | $ 2,563 | — | | 2,563 | $ 99,402 | **A1** | $ 157,721 |
| Accounts receivable, net | 108,480 | 118,014 | — | | 118,014 | (30,000) | **A2** | 196,494 |
| Investments | — | 3,942 | — | | 3,942 | — | | 3,942 |
| Restricted deposits | — | 4,850 | — | | 4,850 | — | | 4,850 |
| Other current assets | 16,309 | | — | | — | — | | 16,309 |
| Total current assets | 180,545 | 129,369 | — | | 129,369 | 69,402 | | 379,316 |
| Film and television costs, net | 72,194 | — | 464,824 | P1 | 464,824 | (333,824) | **A3** | 203,194 |
| Property and equipment, net | 2,973 | 9,234 | (3,502) | P2 | 5,732 | — | | 8,705 |
| Intangible assets | — | 464,824 | (464,824) | P3 | — | 149,400 | **A4** | 149,400 |
| Goodwill | — | — | — | | — | 469,481 | **A5** | 469,481 |
| Income tax receivable | — | 1,975 | (1,975) | P4 | — | — | | — |
| Deferred income taxes | — | 742 | (742) | P5 | — | — | | — |
| Right of use assets | — | 1,512 | (1,512) | P6 | — | — | | — |
| Other assets | 39,513 | — | 4,229 | P7 | 4,229 | — | | 43,742 |
| Total assets | $ 295,225 | $ 607,656 | $ (3,502) | | $ 604,154 | $ 354,459 | | $ 1,253,838 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | | | | | | | |
| Accounts payable and accrued expenses | $ 86,424 | $ 90,941 | $ — | | $ 90,941 | $ — | | $ 177,365 |
| Accrued participations and residuals | 39,962 | — | — | | — | — | | 39,962 |
| Deferred revenue, current | 24,547 | — | — | | — | — | | 24,547 |
| Shareholder liability | 16,433 | — | — | | — | — | | 16,433 |
| Paycheck protection program loan | 2,954 | — | — | | — | — | | 2,954 |
| Total current liabilities | 170,320 | 90,941 | — | | 90,941 | — | | 261,261 |
| Revolving credit facilities, net | 213,567 | — | — | | — | — | | 213,567 |
| Term loan due to related party | 42,580 | — | — | | — | — | | 42,580 |
| Accrued participations and residuals | 64,595 | — | — | | — | — | | 64,595 |
| Deferred revenue | 15,955 | — | — | | — | — | | 15,955 |
| Shareholder liability | 39,816 | — | — | | — | — | | 39,816 |
| Acceptances | — | 1,858 | — | | 1,858 | — | | 1,858 |
| Short-term borrowings | — | 116,858 | — | | 116,858 | (23,677) | **A6** | 93,181 |
| Long-term borrowings | — | 62,114 | — | | 62,114 | — | | 62,114 |
| Income taxes payable | — | 14,900 | — | | 14,900 | — | | 14,900 |
| Deferred income taxes | — | 2,688 | — | | 2,688 | 38,844 | **A7** | 41,532 |
| Lease liabilities | — | 1,553 | — | | 1,553 | — | | 1,553 |
| Long-term liabilities | 10,648 | 8,258 | — | | 8,258 | — | | 18,906 |
| **Total liabilities** | 557,481 | 299,170 | — | | 299,170 | 15,167 | | 871,818 |
| **Commitments and contingencies** | | | | | | | | |
| **Convertible redeemable preferred stock:** | | | | | | | | |
| Convertible preferred stock, Class A | 20,666 | — | — | | — | (20,666) | **A8** | — |
| Convertible preferred stock, Class B | 174,466 | — | — | | — | (174,466) | **A9** | — |
| Convertible preferred stock, Class C | 224,760 | — | — | | — | (224,760) | **A10** | — |
| Convertible preferred stock, Class D | 116,782 | — | — | | — | (116,782) | **A11** | — |
| **Stockholders' equity (deficit):** | | | | | | | | |
| Common Stock, Class A, 30p par value | — | — | — | | — | 8,052 | **A12** | 8,052 |
| Common Stock, Class B, 30p par value | — | — | — | | — | 130,557 | **A13** | 130,557 |
| Common Stock par value | 116 | 66,727 | — | | 66,727 | (66,843) | **A14** | — |
| Additional paid-in capital | — | 673,717 | — | | 673,717 | 335,697 | **A15** | 1,009,414 |
| Reserves | — | (405,665) | | | (405,665) | 405,665 | **A16** | — |
| Other components of equity | — | (85,660) | (2,776) | P8 | (88,436) | 88,436 | **A17** | — |
| Other comprehensive loss | (401) | — | — | | — | — | | (401) |
| Accumulated deficit | (798,645) | — | — | | — | (25,598) | **A18** | (824,243) |
| Non-controlling interest | — | 59,367 | (726) | P9 | 58,641 | — | | 58,641 |
| Total stockholders' equity (deficit) | (798,930) | 308,486 | (3,502) | | 304,984 | 875,966 | | 382,020 |
| **Total liabilities and stockholders' equity (deficit)** | $ 295,225 | $ 607,656 | $ (3,502) | | $ 604,154 | $ 354,459 | | $ 1,253,838 |

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2020**
**(in thousands, except share and per share data)**

| | STX Filmworks (Note 1) | EROS (Note 1) | Pro Forma Adjustments | Note 6 | Pro Forma Combined |
|---|---|---|---|---|---|
| Revenue | $ 385,198 | $ 155,452 | — | | $ 540,650 |
| Operating expenses | | | | | |
| Direct operating | 197,146 | 81,725 | (54,451) | A21 | 224,420 |
| Impairment film cost | — | 431,200 | — | | 431,200 |
| Distribution and marketing | 151,451 | — | — | | 151,451 |
| General and administrative | 52,692 | 143,425 | (1,945) | A19 | 194,172 |
| Restructuring expense | 4,973 | — | — | | 4,973 |
| Depreciation and amortization | 2,041 | 894 | 4,986 | A20 | 7,921 |
| Total operating expenses | 408,303 | 657,244 | (51,410) | | 1,014,137 |
| Loss from operations | (23,105) | (501,792) | 51,410 | | (473,487) |
| Other expense: | | | | | |
| Interest expense, net of interest income | (20,737) | (8,779) | 2,361 | A22 | (27,155) |
| Other gains (losses), net | (979) | (3,316) | — | | (4,295) |
| Total other expense | (21,716) | (12,095) | 2,361 | | (31,450) |
| Loss before provision for income taxes | (44,821) | (513,887) | 53,771 | | (504,937) |
| Provision for income taxes | 490 | (22,183) | (177) | A23 | (21,870) |
| Net loss | (45,311) | (491,704) | 53,947 | | (483,068) |
| Net loss attributable to non-controlling interest | — | (72,712) | — | | (72,712) |
| Net loss attributable to equity holders of Company | $ (45,311) | $ (418,992) | 53,947 | | $ (410,356) |
| Net loss per share attributable to equity holders of the Company: | | | | | |
| Basic and diluted | | | | | $ (1.10) |
| Weighted average number of shares | | | 373,540,888 | A24 | 373,540,888 |

*Notes to Unaudited Pro Forma Condensed Combined Financial Statements*

**1. Basis of Presentation**

**Description of Pro Forma Financial Statements**: Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the Unaudited Pro forma Condensed Combined Financial Information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The Unaudited Pro forma Condensed Combined Financial Information does not give effect to any anticipated synergies, operating efficiencies, tax savings or cost savings that may be associated with the Business Combination. The pro forma adjustments reflecting the consummation of the Business Combination are based on certain currently available information and certain assumptions and methodologies that management believes are reasonable under the circumstances. The Unaudited Condensed Pro Forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material. Management believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to management at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the Unaudited Pro forma Condensed Combined Financial Information.

The Unaudited Pro forma Condensed Combined Financial Information is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the post-combination company. They should be read in conjunction with the historical financial statements and notes thereto of STX and Eros.

**Accounting Policies and Reclassifications**: As part of preparing these Unaudited Pro forma Condensed Combined Financial Statements, the Company conducted an initial review of the accounting policies of Eros to determine if differences in accounting policies require reclassification of results of operations or reclassification of assets or liabilities to conform to STX's accounting policies and classifications, and such reclassifications identified are reflected in the Unaudited Pro forma Condensed Combined Financial Statements. Upon completion of the merger, STX will perform a detailed review of Eros' accounting policies. As a result of that review, STX may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the consolidated financial statements of the combined company.

**Purchase Accounting and Preliminary Valuation**: Eros and STX have concluded that the Merger represents a reverse merger ("Business Combination") pursuant to ASC 805, Business Combinations. STX has not yet completed a final valuation analysis of the fair market value of Eros' assets to be acquired and liabilities to be assumed. Using the total consideration for the Merger, STX has estimated the allocations to such assets and liabilities. This preliminary purchase price allocation has been used to prepare pro forma adjustments in the Unaudited Pro forma Condensed Combined balance sheet. The final purchase price allocation will be determined when STX has determined the final consideration and completed the detailed valuations and other studies and necessary calculations. The final purchase price allocation could differ materially from the preliminary purchase price allocation used to prepare the pro forma adjustments. The final purchase price allocation may include (1) changes in allocations to intangible assets, deferred taxes and goodwill based on the results of certain valuations, jurisdictional analysis and other studies that have yet to be completed, other changes to assets and liabilities and (2) changes to the ultimate purchase price consideration, including the fair value of Class A and Class B shares and debt assumed. For the purposes of the Unaudited Pro forma Condensed Combined Financial Information, the accounting policies of Eros and STX are aligned giving effect to certain pro forma adjustments, if any.

**Description of Balance Sheet**: The Unaudited Pro forma Condensed Combined Balance Sheet as of June 30, 2020 combines the historical balance sheet of STX and the March 31, 2020 historical balance sheet of Eros, on a pro forma basis as if the Merger and related transactions had been consummated on June 30, 2020. The Unaudited Pro forma Condensed Combined Balance Sheet as of June 30, 2020 has been prepared using, and should be read in conjunction with, the following:

- STX's unaudited balance sheet as of June 30, 2020 and the related notes, which is included in the unaudited interim financial statements of STX for the three months ended June 30, 2020 attached as Exhibit 99.2 to this Report of Foreign Private Issuer on Form 6-K, submitted to the United States Securities and Exchange Commission (the "SEC") on December 16, 2020; and

- Eros’ audited balance sheet as of March 31, 2020 and the related notes, which is included in Eros’ Annual Report on Form 20-F submitted to the SEC on July 30, 2020.

**Description of Statement of Operations**: The Unaudited Pro forma Condensed Combined Statement of Operations for the twelve-month period ended June 30, 2020, combines the historical statement of operations of STX for the twelve months ended June 30, 2020 and the historical statement of operations of Eros for the twelve-month period ended March 31, 2020 on a pro forma basis as if the Merger and related transactions had been consummated on July 1, 2019.

The Unaudited Pro forma Condensed Combined Statement of Operations for the year ended June 30, 2020 has been prepared using, and should be read in conjunction with, the following:

- STX’s unaudited statement of operations for the three months ended June 30, 2020 and the related notes, which is included in the unaudited interim financial statements of STX for the three months ended June 30, 2020 attached as Exhibit 99.2 to this Report of Foreign Private Issuer on Form 6-K, submitted to the United States Securities and Exchange Commission (the “SEC”) on December 16, 2020;

- STX’s audited consolidated statement of operations for the six months ended March 31, 2020 and the related notes, included in the Company’s Transition Report on Form 20-F, submitted to the SEC on October 30, 2020;

- STX’s audited statement of operations for the year ended September 30, 2019 and the related notes, which is included in STX’s Transition Report on Form 20-F submitted to the SEC on October 30, 2020; and

- Eros’ audited statement of operations for the year ended March 31, 2020 and the related notes, which is included in Eros’ Annual Report on Form 20-F submitted to the SEC on July 30, 2020.

**2. IFRS TO GAAP and Conforming Reclassification Adjustments to Unaudited Pro Forma Condensed Financial Information**

IFRS TO GAAP Adjustments

The adjustments to convert Eros’ balance sheet as of March 31, 2020 and its statement of operations for the year ended March 31, 2020 from IFRS to GAAP are as follows:

- Reclassification of Eros’ intangible assets and content library to Film and TV costs, net (see Note 5 tickmarks P1 and P3).

- Reversal of the revaluation of property, plant and equipment. Under IFRS, property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time and the revaluations are kept up to date. Unlike IFRS Standards, the revaluation of property, plant and equipment is not permitted under US GAAP (see Note 5 tickmarks P2, P8 and P9).

Conforming Reclassification Adjustment

The adjustment to conform accounting policies of Eros’ balance sheet as of March 31, 2020 and its statement of operations for the year ended March 31, 2020 to STX are as follows:

- Reclassification of Eros’ income tax receivable, deferred income taxes and right of use assets into other assets. (see Note 5 tickmarks P4, P5, P6 and P7).

## 3. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2020

The Unaudited Pro forma Condensed Combined Balance Sheet as of June 30, 2020 gives effect to the Business Combination as if it was completed on June 30, 2020.

The adjustments included in the Unaudited Pro forma Condensed Combined Balance Sheet as of June 30, 2020 include the following:

The reclassification between common stock and additional paid in capital due to the reverse merger, the issuance of 24,350,641 Eros A Ordinary Shares in connection with certain equity financing arrangements contemplated in the Merger Agreement and 171,912,291 Eros A Ordinary Shares underlying contingent value rights ("CVR's) awarded to certain STX stockholders pursuant to the Merger Agreement. Shortly after filing a registration statement on Form F-3, the Company will issue a total of 171,912,291 Eros A Ordinary Shares in connection with the settlement of such CVRs. Therefore, we have included 171,912,291 Eros A Ordinary Shares as issued and outstanding (see Note 6 tickmarks, A8, A9, A10, A11, A12, A13, A14, A15, A16 and A17).

Purchase Price Allocation and Merger Adjustments

Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the Unaudited Pro forma Condensed Combined Financial Information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

*Purchase Price Allocation*

(in thousands)

| | | | |
|---|---|---|---|
| Cash and cash equivalents | $ | 2,563 | (x) |
| Accounts receivable | | 88,014 | See tickmark A2 |
| Investments | | 3,942 | (x) |
| Restricted deposits | | 4,850 | (x) |
| Film and television costs | | 131,000 | See tickmark A3 |
| Property and equipment | | 5,732 | (x) |
| Intangible assets | | 149,400 | See tickmark A4 |
| Other assets | | 4,229 | (x) |
| Accounts payable and accrued expenses | | (90,941) | (x) |
| Acceptances | | (1,858) | (x) |
| Short term borrowings | | (23,677) | See tickmark A6 |
| Income taxes payable | | (14,900) | (x) |
| Deferred income taxes | | (41,532) | See tickmark A7 |
| Lease liabilities | | (1,553) | (x) |
| Long-term liabilities | | (8,258) | (x) |
| Fair value of net assets acquired | | 207,011 | |
| Goodwill | | 469,481 | See tickmark A5 |
| Total estimated purchase consideration | $ | 676,492 | (y) |

*(x)* Fair value is assumed to equal Eros' historical carrying value due to either the liquid nature or short-term duration of the asset or liability or based upon overall immateriality to the purchase price allocation.

(y) Total consideration of approximately $676.5 million represents the estimated fair value of Class A and Class B shares issued to Eros holders of approximately $521.2 million (we assumed that the fair value of Class B shares approximates the fair value of Class A shares) and assumed short term and long-term borrowings of approximately $155.3 million. The carrying amount of short-term borrowings approximate their estimated fair value due to their short-term maturity. Long-term borrowings subject to variable rate approximate their fair value.

***Accounts Receivable.*** Accounts receivables consist primarily of receivables from theatrical exhibitors, home entertainment, television partners and international distributors. Eros trade receivables are primarily accounted for at book value which approximates fair value. The fair value of Eros' accounts receivable was reduced from April 1, 2020 to July 30, 2020 due to more than insignificant credit deterioration (under U.S. GAAP) of Eros' customers in the context of potential business disruptions caused by COVID-19 and its ability to collect accounts receivable balances within the initially estimated period considered for calculation of the fair values as of March 31, 2020 (see tickmark A2).

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (“CECL”). The main objective of the update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by companies at each reporting date. For accounts receivable, net, STX will be required to use a new forward-looking “expected losses” model that generally will result in the recognition of allowances for losses earlier than under current accounting guidance. Eros had previously adopted the new credit loss standard. STX will adopt ASU 2016-13 on a modified retrospective basis during the first half of fiscal 2021. The implementation of CECL is not expected to have a material impact to the Company’s combined consolidated financial statements.

***Film and Television Costs.*** Film and television costs includes film and content rights, content advances and film productions. Fair value of the film and television costs was based upon estimated future cash flows, considering assumptions related to revenue growth based on the number of customers/subscribers, number of films produced or acquired, and rates charged to customers. The earnings expected to be generated by the film and television costs were forecasted over the estimated duration of the film and television costs. The earnings were then adjusted by taxes and the required return for the use of the contributory assets and discounted to present value at a rate commensurate with the risk of the asset. The fair value of the film and television costs was also reduced from April 1, 2020 to July 30, 2020 due to the COVID - 19 pandemic. Stay-at-home orders and the closure of cinemas has resulted in delays for the release of Eros’ films and the halting of new production. Due to the COVID 19 uncertainty we have adjusted our future revenue projection and increased our discount rate to reflect the impact from the COVID-19 pandemic on the fair value of Eros’ film and television costs (see Note 6 tickmarks A3).

***Identifiable intangible assets.*** Identifiable primarily include intangible assets include subscriber relationships and tradenames. The fair value of the identifiable intangible assets and their weighted-average useful lives are as follows (see Note 6 tickmark A4):

*Subscriber Relationships.* The fair value of subscriber relationships was preliminarily estimated based on the estimated future cash flows to be generated from the subscriber contracts considering assumptions related to contract renewal rates and revenue growth based on the number of subscribers and contract rates. The earnings expected to be generated by the subscriber relationships were forecasted over the estimated duration of the intangible asset. The earnings were then adjusted by taxes and the required return for the use of the contributory assets and discounted to present value at a rate commensurate with the risk of the asset.

The amortization period and related pro forma adjustment for the subscriber relationships asset is based on the expected net cash flows from the acquired Eros customers and a preliminary assumption of amortization on a straight-line basis over a 5-year period.

A 10% change in the valuation of subscriber relationships would cause a corresponding increase or decrease in the balance of goodwill of approximately $2.4 million and annual amortization expense and $0.5 million, assuming an overall weighted average useful life of 5 years.

*Tradenames.* Tradenames are primarily related to the Eros brand and name. The fair value of tradenames was preliminarily estimated based on the present value of the theoretical cost savings that could be realized by the owner of the tradenames because of not having to pay a stream of royalty payments to another party. These cost savings were calculated based on the hypothetical royalty payment that a licensee would be required to pay in exchange for use of the tradenames, reduced by the tax shield realized by the licensee on the royalty payments. The cost savings were discounted to present value at a rate commensurate with the risk of the asset.

Tradenames have an indefinite useful life and will not be amortized, but rather are assessed for impairment at least annually or more frequently whenever events or circumstances indicate that the rights might be impaired. Any change in the value of the tradenames is expected to be allocated to goodwill, which is another indefinite-lived asset that is also reviewed for impairment at least annually or more frequently whenever events or circumstances indicate that goodwill might be impaired.

***Deferred income taxes.*** Deferred income taxes were adjusted to record the deferred tax impact of acquisition accounting adjustments primarily related to intangible assets. The incremental deferred tax liabilities were calculated based on the tax effect of the approximately $38.8 million step-up in book basis of the net assets of Eros, excluding the amount attributable to goodwill, using the estimated statutory tax rates (26%) (see Note 6 tickmark A7).

***Goodwill.*** Goodwill represents the excess of the preliminary purchase price over the estimate of the fair value of the underlying tangible and intangible assets acquired and liabilities assumed. In accordance with ASC 805, goodwill will not be amortized but instead will be tested for impairment annually, or as required on a more frequent basis (see Note 6 tickmark A5).

The adjustments included in the Unaudited Pro forma Condensed Combined Balance Sheet as of June 30, 2020 include the following transaction adjustments*:*

- The issuance of approximately 24.4 million Eros A Ordinary Shares on July 30, 2020 in an equity financing transaction in connection with the Merger, resulting in proceeds of approximately $75.0 million. Issuance costs were considered immaterial (see Note 6 tickmarks A1 and A15).

- The issuance of 10.8 million Eros A Ordinary Shares in an equity facility transaction resulting in proceeds of $35.0 million. Issuance costs were considered immaterial (see Note 6 tickmarks A1 and A15).

- The issuance of 4.2 million Eros A Ordinary Shares in a capital raise transaction resulting in proceeds of $15.0 million. Issuance costs were considered immaterial (see Note 6 tickmarks A1 and A15).

- Transaction costs of approximately $12.8 million incurred, but not accrued as of June 30, 2020, in consummating the Business Combination. Includes legal, financial advisory and other professional fees related to the Business Combination. These costs are not included in the Unaudited Pro forma Condensed Combined Statement of Operations as they are deemed to not have a continuing impact on the results of the post-Business Combination company (see Note 6 tickmarks A1 and A18).

- The payment of $12.8 million of STX Management bonuses that were payable on the consummation of the Merger (see Note 6 tickmarks A1 and A18).

- The conversion of $23.7 million of short-term debt into Eros A Ordinary Shares prior to the Merger (see Note 6 tickmarks A6 and A15).

**4. Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the Twelve Months Ended June 30, 2020**

The Unaudited Pro forma Condensed Combined Statement of Operations for the twelve months ended June 30, 2020 has been prepared as follows:

**STX**
STX's unaudited statement of operations for the three months June 30, 2020, STX's audited statement of operations for the six months ended March 31, 2020 and the last quarter of STX's audited statement of operations for the year ended September 30, 2019.

**EROS**
Eros' audited statement of operations for the year ended March 31, 2020.

The adjustments included in the Unaudited Pro forma Condensed Combined Statement of Operations for the twelve months ended June 30, 2020 include the following:

- The elimination of STX transaction costs that were expensed during the 12 months ended June 30, 2020 (see Note 6 tickmark A19).

- The removal of historical amortization of intangible assets and the amortization of the new intangible assets and film and television costs related to the transaction. The estimated useful lives were determined based on a review of the time-period over which economic benefit is estimated to be generated as well as additional factors. Factors considered include contractual life, the period over which a majority of cash flow is expected to be generated and/or management's view based on historical experience with similar assets (see Note 6 tickmarks A20 and A21).

| | Total | | Remaining Useful Life (in Years) | Amortization Expense Twelve Months Ended June 30, 2020 | |
|---|---|---|---|---|---|
| **Film and Television Costs** | | | | | |
| Film and television costs | $ | 70,000 | 7 | $ | 10,000 |
| **Intangible assets** | | | | | |
| Subscriber relationships | $ | 26,400 | 5 | $ | 5,280 |
| Trademarks / trade names | | 120,000 | Indefinite | | — |
| Other | | 3,000 | 5 | | 600 |
| | $ | 149,400 | | $ | 5,880 |
| Grand total | $ | 219,400 | | $ | 15,880 |

- The reversal of interest expense related to Eros' New Notes that were fully converted as of July 30, 2020 in connection with the Merger (see Note 6 tickmark A22).

- Reflects the income tax effect of the pro forma adjustments. The income tax effect was determined utilizing the blended statutory income tax rate of 26%. The final determination of deductibility will be determined once the purchase accounting is finalized (see Note 6 tickmark A23).

- The net loss per share calculated using the historical weighted average shares outstanding, and the issuance of additional shares in connection with the Business Combination, assuming the shares were outstanding since July 1, 2019. As the Business Combination is being reflected as if it had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares issuable relating to the Business Combination have been outstanding for the entire period presented. Also, assumes that all common stock equivalents anti-dilutive (see Note 6 tickmark A24).

The pro forma basic and diluted net loss per share for the twelve months ended June 30, 2020 is computed as follows:

| | Year ended June 30, 2020 (All amounts in thousands of dollars, except per share amounts) Basic and Diluted | |
|---|---|---|
| **Pro Forma Net Loss Per Share:** | | |
| **Numerator:** | | |
| Net loss attributable to equity holders of the combined company | $ | (410,356) |
| **Denominator:** | | |
| Pro forma adjusted weighted average shares outstanding | | 373,540,888 |
| **Pro forma net loss per common share** | **$** | **(1.10)** |

| | Class A | Class B | Total |
|---|---|---|---|
| Eros Founder | 3,946,203 | 19,899,085 | 23,845,288 |
| Eros Public | 138,459,723 | | 138,459,723 |
| | 142,405,926 | 19,899,085 | 162,305,011 |
| EROS equity facility | 8,983,360 | 1,801,333 | 10,784,693 |
| EROS raise | 4,188,252 | | 4,188,252 |
| EROS total | 155,577,538 | 21,700,418 | 177,277,956 |
| STX total | | | 196,262,932 |
| Combined total | 155,577,538 | 21,700,418 | 373,540,888 |

**5. Pro forma conforming IFRS to GAAP adjustments and reclassification adjustments to the Unaudited Pro Forma Condensed Combined Financial Statements, by line item:**

| | | |
|---|---|---|
| P1 | To reflect the reclassification of historical intangible assets | $ 464,824 |
| P2 | To reflect the reversal of the revaluation of property, plant and equipment | $ (3,502) |
| P3 | To reflect the reclassification of historical intangible assets | $ (464,824) |
| P4 | To reflect reclassification of income tax receivable to other assets | $ (1,975) |
| P5 | To reflect reclassification of deferred income taxes to other assets | $ (742) |
| P6 | To reflect reclassification of right of use assets to other assets | $ (1,512) |
| P7 | To reflect reclassification of income tax receivable to other assets | $ 1,975 |
| | To reflect reclassification of deferred income taxes to other assets | 742 |
| | To reflect reclassification of right of use assets to other assets | 1,512 |
| | | $ 4,229 |
| P8 | To reflect the accumulated deficit impact from the reversal of the revaluation of property, plant and equipment | $ (2,776) |
| P9 | To reflect the non-controlling interest impact from the reversal of the revaluation of property, plant and equipment | $ (726) |

### 6. Pro forma adjustments to the Unaudited Pro forma Condensed Combined Financial Statements, by line item:

| | | | |
|---|---|---|---|
| A1 | To reflect the issuance of 24.4 million Eros A Ordinary Shares | $ | 75,000 |
| | To reflect the issuance of 10.8 million Eros A Ordinary Shares | | 35,000 |
| | To reflect the issuance of 4.2 million Eros A Ordinary Shares | | 15,000 |
| | To reflect Merger costs | | (12,798) |
| | To reflect the payment of $12.8 million of STX management bonuses payable upon the closing of the reverse merger | | (12,800) |
| | | $ | 99,402 |
| A2 | To reflect the fair value of accounts receivable | $ | (30,000) |
| A3 | To reflect the fair value of film and television costs | $ | (333,824) |
| A4 | Adjustments to intangible assets as a result of valuation | | |
| | To reflect the fair value of subscriber relationships | $ | 26,400 |
| | To reflect the fair value of trademarks / trade names | | 120,000 |
| | To reflect the fair value of other intangibles | | 3,000 |
| | | $ | 149,400 |
| A5 | To reflect the fair value of goodwill resulting from reverse merger | $ | 469,481 |
| A6 | To reflect the conversion of short-term debt into Eros A Ordinary Shares | $ | 23,677 |
| A7 | To reflect the deferred income tax adjustment related to intangible assets | $ | 38,844 |
| A8 | To reflect the conversion of redeemable preferred stock, Class A | $ | (20,666) |
| A9 | To reflect the conversion of redeemable preferred stock, Class B | $ | (174,466) |
| A10 | To reflect the conversion of redeemable preferred stock, Class C | $ | (224,760) |
| A11 | To reflect the conversion of redeemable preferred stock, Class D | $ | (116,782) |
| A12 | To reflect the par value of common stock, Class A | $ | 8,052 |
| A13 | To reflect the par value of common stock, Class B | $ | 130,557 |
| A14 | To reflect the elimination of STX common stock account balance | $ | (116) |
| | To reflect the elimination of Eros common stock account balance | | (66,727) |
| | | $ | (66,843) |

| | | | |
|---|---|---|---|
| A15 | Adjustments to additional paid in capital resulting from reverse merger | | |
| | To reflect the elimination of Eros additional paid in capital | $ | (673,717) |
| | To reflect equity consideration | | 521,197 |
| | To reflect non-controlling interest | | (58,641) |
| | To reflect the conversion of redeemable preferred stock, Class A | | 20,666 |
| | To reflect the conversion of redeemable preferred stock, Class B | | 174,466 |
| | To reflect the conversion of redeemable preferred stock, Class C | | 224,760 |
| | To reflect the conversion of redeemable preferred stock, Class D | | 116,782 |
| | To reflect the par value of common stock, Class A | | (8,052) |
| | To reflect the par value of common stock, Class B | | (130,557) |
| | To reflect the elimination of STX common stock account balance | | 116 |
| | To reflect the issuance of 24.4 million Eros A Ordinary Shares | | 75,000 |
| | To reflect the issuance of 10.8 million Eros A Ordinary Shares | | 35,000 |
| | To reflect the issuance of 4.2 million Eros A Ordinary Shares | | 15,000 |
| | To reflect the conversion of short-term debt into Eros A Ordinary Shares | | 23,677 |
| | | $ | 335,697 |
| | | | |
| A16 | To reflect the elimination of Eros reserve account balance | $ | 405,665 |
| | | | |
| A17 | To reflect the elimination of Eros other components of equity balance | $ | 88,436 |
| | | | |
| A18 | To reflect Merger costs | $ | (12,798) |
| | To reflect the payment of $12.8 million of STX management bonuses payable upon the closing of the reverse merger | | (12,800) |
| | | $ | (25,598) |
| | | | |
| A19 | To reflect the elimination of STX Merger costs that were expensed during the 12 months ended June 30, 2020 | $ | (1,945) |
| | | | |
| A20 | To reflect the removal of the historical amortization of intangible assets | $ | (894) |
| | To reflect the amortization of the new intangible assets related to the Merger | | 5,880 |
| | | $ | 4,986 |
| | | | |
| A21 | To reflect the removal of the historical amortization of film and television costs | $ | (64,451) |
| | To reflect the amortization of film and television costs related to the Merger | | 10,000 |
| | | $ | (54,451) |
| | | | |
| A22 | To reflect the reversal of interest expense related to Eros' New Notes that were fully converted as of July 30, 2020 in connection with the Merger | $ | 2,361 |
| | | | |
| A23 | To reflect the tax impact of the pro forma adjustments based upon a 26% effective tax rate | $ | (177) |
| | | | |
| A24 | To reflect the historical weighted average shares outstanding and the issuance | | 373,540,888 |

**STX FILMWORKS, INC.**
**INDEX TO FINANCIAL STATEMENTS**

**STX Filmworks, Inc.**
**Consolidated Balance Sheets**
*(in thousands, except share data)*

| | March 31 2020 (audited) | June 30 2020 (unaudited) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 25,705 | $ 55,756 |
| Accounts receivable, net | 102,430 | 108,480 |
| Other current assets | 24,215 | 16,309 |
| Total current assets | 152,350 | 180,545 |
| Film and TV costs, net | 97,308 | 72,194 |
| Property and equipment, net of accumulated depreciation of $6,744 and $7,177 at March 31,2020 and June 30, 2020, respectively | 3,496 | 2,973 |
| Other assets | 39,608 | 39,513 |
| Total assets | $ 292,762 | $ 295,225 |
| **Liabilities and stockholders' deficit** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 94,549 | $ 86,424 |
| Accrued participations and residuals | 28,314 | 39,962 |
| Deferred revenue, current | 29,142 | 24,547 |
| Shareholder liability | 15,372 | 16,433 |
| Paycheck protection program loan | — | 2,954 |
| Total current liabilities | 167,377 | 170,320 |
| Revolving credit facilities, net | 225,989 | 213,567 |
| Term loan due to related party, net | 42,092 | 42,580 |
| Accrued participations and residuals | 70,916 | 64,595 |
| Deferred revenue | 12,986 | 15,955 |
| Shareholder liability | 34,733 | 39,816 |
| Other liabilities | 11,114 | 10,648 |
| Total liabilities | 565,207 | 557,481 |
| Commitments and contingencies | | |
| Convertible redeemable preferred stock: | | |
| Class A convertible preferred stock, $0.01 par value, 10,207 shares authorized, issued, and outstanding at March 31, 2020 and June 30, 2020 | 20,031 | 20,666 |
| Class B convertible preferred stock, $0.01 par value, 85,000 shares authorized, issued, and outstanding at March 31, 2020 and June 30, 2020 | 169,442 | 174,466 |
| Class C convertible preferred stock, $0.01 par value, 214,588 shares authorized, 166,088 shares issued and outstanding at March 31, 2020 and June 30, 2020 | 219,095 | 224,760 |
| Class D convertible preferred stock, $0.01 par value,132,618 shares authorized, 125,104 shares issued and outstanding at March 31, 2020 and June 30, 2020 | 111,433 | 116,782 |
| Stockholders' deficit: | | |
| Common stock, $0.01 par value, 100,000,000 shares authorized, 11,572,291 shares issued and outstanding at March 31, 2020 and June 30, 2020 | 116 | 116 |
| Additional paid-in capital | — | — |
| Other comprehensive loss | (400) | (401) |
| Accumulated deficit | (792,162) | (798,645) |
| Total stockholders' deficit | (792,446) | (798,930) |
| Total liabilities, convertible redeemable preferred stock and stockholders' deficit | $ 292,762 | $ 295,225 |

*See accompanying notes*

**STX Filmworks, Inc.**
**Consolidated Statements of Operations**
*(in thousands)*

| | Three Months Ended June 30 2019 | 2020 |
|---|---|---|
| | (unaudited) | |
| Revenue | $ 110,605 | $ 97,156 |
| | | |
| Expenses: | | |
| Direct operating | 77,912 | 45,198 |
| Distribution and marketing | 67,568 | 10,938 |
| General and administrative | 14,974 | 16,416 |
| Depreciation and amortization | 540 | 435 |
| Restructuring expense | — | 3,141 |
| Total operating expenses | 160,994 | 76,128 |
| | | |
| (Loss)/income from operations | (50,389) | 21,028 |
| | | |
| Other income/(expense): | | |
| Interest income | 129 | — |
| Interest expense | (6,109) | (5,699) |
| Shareholder exit expense | (9,559) | (5,083) |
| | | |
| (Loss)/income before income taxes | (65,928) | 10,246 |
| | | |
| Income tax provision | 111 | 90 |
| Net (loss)/income | $ (66,039) | $ 10,156 |

*See accompanying notes*

**STX Filmworks, Inc.**
**Consolidated Statements of Comprehensive (Loss)/Income**
*(in thousands)*

| | Three Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2019 | | 2020 | |
| | (unaudited) | | | |
| **Net (loss)/income** | $ | (66,039) | $ | 10,156 |
| **Foreign currency translation (loss), net of tax** | | (400) | | (1) |
| **Comprehensive (loss)/income** | $ | (66,439) | $ | 10,155 |

*See accompanying notes.*

**STX Filmworks, Inc.**
**Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Deficit**
*(in thousands, except share data)*

| | Convertible Redeemable Preferred Stock | | | | | | | | Common Stock | | Additional Paid-In Capital | Other Comprehensive Loss | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Class A | | Class B | | Class C | | Class D | | | | | | | |
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance at March 31, 2019 (unaudited) | 10,207 | $17,745 | 85,000 | $151,222 | 166,088 | $ 208,453 | 110,211 | $88,534 | 11,572,291 | $ 116 | $ — | $ 206 | $ (606,425) | (606,103) |
| Accretion of preferred stock | — | 562 | — | 4,483 | — | 6,382 | — | 3,892 | — | — | (49) | — | (15,270) | (15,319) |
| Stock compensation expense | — | — | — | — | — | — | — | — | — | — | 49 | — | — | 49 |
| Foreign currency translation | — | — | — | — | — | — | — | — | — | — | — | (400) | — | (400) |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | (66,039) | (66,039) |
| Balance at June 30, 2019 (unaudited) | **10,207** | **$18,307** | **85,000** | **$155,705** | **166,088** | **$ 214,835** | **110,211** | **$92,426** | **11,572,291** | **$ 116** | **$ —** | **$ (194)** | **$ (687,734)** | **$(687,812)** |

| | Convertible Redeemable Preferred Stock | | | | | | | | Common Stock | | Additional Paid-In Capital | Other Comprehensive Loss | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Class A | | Class B | | Class C | | Class D | | | | | | | |
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance at March 31, 2020 | 10,207 | $20,031 | 85,000 | $169,442 | 166,088 | $ 219,095 | 125,104 | $ 111,433 | 11,572,291 | $ 116 | $ — | $ (400) | $ (792,162) | $(792,446) |
| Accretion of preferred stock | — | 635 | — | 5,024 | — | 5,665 | — | 5,349 | — | — | (31) | — | (16,639) | (16,670) |
| Stock compensation expense | — | — | — | — | — | — | — | — | — | — | 31 | — | — | 31 |
| Foreign currency translation | — | — | — | — | — | — | — | — | — | — | — | (1) | — | (1) |
| Net income | — | — | — | — | — | — | — | — | — | — | — | — | 10,156 | 10,156 |
| Balance at June 30, 2020 (unaudited) | **10,207** | **$20,666** | **85,000** | **$174,466** | **166,088** | **$ 224,760** | **125,104** | **$ 116,782** | **11,572,291** | **$ 116** | **$ —** | **$ (401)** | **$ (798,645)** | **$(798,930)** |

*See accompanying notes.*

**STX Filmworks, Inc.**
**Consolidated Statements of Cash Flows**
*(in thousands)*

| | Three Months Ended June 30 2019 | 2020 |
|---|---|---|
| | (unaudited) | |
| **Operating activities** | | |
| Net (loss)/income | $ (66,039) | $ 10,156 |
| Adjustments to reconcile net (loss)/income to net cash (used in)/provided by operating activities: | | |
| Depreciation and amortization expense | 584 | 514 |
| Stock compensation expense | 49 | 31 |
| Amortization and impairment of film and television costs | 37,258 | 29,097 |
| Amortization of debt discount and issuance costs | 878 | 1,247 |
| Disposal of fixed assets | — | 135 |
| Accrual of paid in kind interest | 417 | 428 |
| Shareholder exit expense | 9,559 | 5,083 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (9,609) | (6,049) |
| Prepaid expenses and other assets | 1,418 | 7,596 |
| Lease asset and liability | — | (60) |
| Increase in film and television costs | (32,279) | (3,974) |
| Accounts payable and accrued expenses | 14,960 | (6,648) |
| Accrued participations and residuals | 6,485 | 5,327 |
| Deferred revenue | (24,099) | (1,626) |
| Other liabilities | 55 | (465) |
| Net cash (used in)/provided by operating activities | (60,363) | 40,792 |
| **Investing activities** | | |
| Purchase of property and equipment | (148) | (76) |
| Net cash used in investing activities | (148) | (76) |
| **Financing activities** | | |
| Paycheck protection program loan | — | 2,954 |
| Revolving credit facilities draw | 47,885 | 48,962 |
| Revolving credit facilities repayment | (72,217) | (62,570) |
| Debt issuance costs | (29) | — |
| Net cash used in financing activities | (24,361) | (10,654) |
| Net (decrease)/ increase in cash, cash equivalents and restricted cash | (84,872) | 30,062 |
| Foreign exchange effects on cash | (45) | (11) |
| Cash, cash equivalents and restricted cash at the beginning of year | 130,778 | 25,705 |
| Cash, cash equivalents and restricted cash at the end of period | $ 45,861 | $ 55,756 |
| **Supplemental disclosures of cash flow information** | | |
| Cash paid for interest | $ 5,427 | $ 6,819 |
| Cash paid for income tax | $ — | $ — |

*See accompanying notes.*

### 1. Description of Business, Basis of Presentation and Significant Accounting Policies

#### Description of Business

STX Filmworks, Inc. (the "Company") was formed as a limited liability company on August 4, 2011, under the name Lunatic Fringe Entertainment, LLC. Its name was later changed to STX Filmworks, LLC and it converted to a Delaware corporation in February 2014. The primary purpose and business of the Company is to develop, produce, finance, distribute, invest in and otherwise exploit feature length motion pictures, television programming, and digital media content. The Company specializes in the development, production, marketing and distribution of talent driven films, television, and digital content across multi-platform distribution channels on a worldwide basis.

#### Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q of Regulations S-X by the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, they include all normal and recurring accruals and adjustments necessary to present fairly the results of the interim periods shown.

The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Transition Report on Form 20-F Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 filed with the SEC on October 30, 2020.

As discussed in Note 3, the Company's revolving credit facility matures on October 7, 2021. Management of the Company believes that the Company has adequate liquidity to fund its operations up until the maturity of the revolving credit facility. However, absent a refinancing with cash from operations, assets sales or a combination thereof, the Company does not currently expect to have sufficient liquidity to repay the full amount of the revolving credit facility at maturity. Based on continuing discussions with existing and potential lenders, management is optimistic that it will be able to successfully implement its ongoing plan to address its debt maturities as they become due. However, management recognizes that its plan depends on the actions of these third parties and, therefore, the Company is unable at this time to conclude that such plan is probable of being achieved. Accordingly, given the uncertainty with respect to the Company's ability to pay its revolving credit facility in full at maturity, the Company acknowledges that substantial doubt exists regarding its ability to continue as a going concern pursuant to *ASC 205-40 Presentation of Financial Statements—Going Concern*. There can be no assurance that the Company will succeed in reaching agreements with the lenders under its revolving credit facility or accessing new capital to pay the revolving credit facility in full at maturity.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the twelve-month period following the date of these consolidated financial statements. As such, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities as of the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. The most significant estimates made by management in the preparation of the financial statements relate to ultimate revenue and costs used for the amortization of investment in films and television programs; estimates of sales returns and other allowances and provisions for doubtful accounts; estimates related to the revenue recognition of sales or usage-based royalties; income taxes including the assessment of valuation allowances for deferred tax assets; accruals for contingent liabilities; and impairment assessments for investment in films and television programs and property and equipment. Actual results could differ from such estimates.

**COVID-19 Pandemic**

The COVID-19 outbreak has caused significant disruptions, and the outbreak has spread globally to the United States and many countries where we distribute films. On March 11, 2020, the World Health Organization designated the outbreak a pandemic. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including imposing restrictions on movement and travel such as quarantines and shelter-in-place requirements, or nationwide lockdowns, as well as restricting or prohibiting outright some or all commercial and business activity, including the closure of some or all theatres and disrupting the production of film and TV content. These measures, though currently temporary in nature, may become more severe and continue indefinitely depending on the evolution of the pandemic. Although a vaccine has been recently made available to the public, the vaccine distribution to the public is in the early stages and the pandemic is expected to worsen before it gets better.

The pandemic has affected how the film content is distributed to various distribution channels due to the closure of theatres in the United States and in international territories. There however has been an increase in streaming and digital revenue due to the closure of movie theatres. The pandemic has also affected the production of new content for both film and TV due to the closure of productions. The extent of the adverse impact on our financial and operational results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration of COVID-19 and among other things, the impact of governmental actions imposed in response to the pandemic and individuals' and companies' risk tolerance regarding health matters going forward. Our business also could be significantly affected even after reopening of certain operations, should the disruptions caused by the COVID-19 lead to changes in consumer behavior (such as social distancing becoming the norm independent of any pandemic conditions) and the delay in having film and TV content to distribute.

We are monitoring the rapidly evolving situation and its potential impacts on our financial position, results of operations, liquidity, and cash flows.

**Accounting Guidance Adopted in Fiscal 2021**

***Fair Value Measurement – Changes to Disclosure Requirements:*** In August 2018, the Financial Accounting Standards Board ("FASB") issued guidance that eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance eliminates the requirement that entities disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but requires public companies to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements, among other changes. This Company adopted this guidance on April 1, 2020, with no material impact to its consolidated financial statements.

***Improvements to Accounting for Costs of Films and License Agreements for Program Materials:*** On April 1, 2020, the Company adopted, on a prospective basis, FASB guidance on the accounting for films and episodic television series which aligns the accounting for capitalizing productions costs of episodic television series with guidance for films. The following reflects some of the more significant changes under the new guidance:

- **Monetization Strategy**: Requires the determination of a titles' monetization strategy for purposes of amortization and testing impairment as follows:
  - **Monetized individually**- lifetime value is predominately derived from third-party revenues that are directly attributable to the specific film or television title (e.g., theatrical revenues or sales to third-party television programmers).
  - **Monetized as a film group**- lifetime value is predominately derived from third-party revenues that are attributable only to a bundle of titles, which is referred to as a "film group" in the updated guidance. A film group is defined as the lowest level at which identifiable cash flows are largely independent of the cash flows of other films and/or license agreements.

The determination of the monetization strategy is made at commencement of production on a consolidated basis. Because the new accounting guidance is applied prospectively, the predominant monetization strategy for content released prior to the beginning of fiscal 2021 is determined based on the expected means of monetization over the remaining life of the content. The classification of content as individually monetized or monetized as part of a film group only changes if there is a significant change to the title's monetization strategy relative to its initial assessment.

The Company’s content initially intended for theatrical release, home entertainment distribution, or license of third parties, is generally classified as content monetized individually.

- **Impairment Testing**: The new guidance requires that an entity test a film or television program for impairment, when impairment indicators are present, at a film group level when the film or license agreement is predominately monetized with other films and/or license agreements or individually for titles monetized individually. An impairment results when the fair value of the film or film group is less than its carrying value.

See Note 2 for further information.

**Accounting Guidance Not Yet Adopted**

***Financial Instruments – Credit Losses:*** In June 2016, the FASB issued guidance, as amended, that changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, from the incurred loss methodology under current U.S. GAAP to a new, forward-looking current expected credit loss model that would generally result in the earlier recognition of credit losses. This standard will be adopted and effective as of April 1, 2020 when the Company reports on its consolidated financial results for the six months ended September 30, 2020. The standard is not expected to have a material impact on the Company’s consolidated financial statements.

***Simplifying the Accounting for Income Taxes:*** In December 2019, the FASB issued guidance that simplifies the accounting for income taxes. The guidance amends the rules for recognizing deferred taxes for investments, performing intraperiod tax allocations and calculating income taxes in interim periods. It also reduces complexity in certain areas, including the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating taxes to members of a consolidated group. The guidance is effective for the Company’s fiscal year beginning April 1, 2021, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this new guidance will have on its consolidated financial statements.

**2. Film and Television Costs**

Film costs represent the costs of films produced by the Company, or for which the Company has acquired distribution rights. For films produced by the Company, capitalized costs include all direct production costs, production overhead, and capitalized interest. Production overhead includes allocable costs of individuals or departments with exclusive or significant responsibility for the production of films and excludes selling and marketing costs.

Film costs consist of four categories: (1) films in development, (2) films in production, (3) films completed and not released and (4) released films. Films in development primarily include the costs of acquiring film rights to books or original screenplays and costs to adapt such projects, as well as the costs of scripted development for original ideas. Such costs are capitalized and, upon commencement of production, will be transferred to films in production. Films in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned, or three years from the date of initial investment if the production has not been greenlit. Films in production include the inventory cost associated with projects that have been selected for release and for which principal photography has commenced. Films will be held as an asset in production until release, including completed but not released films, at which time the asset balance is transferred to released films.

Film costs and the related participations and residuals are amortized using the individual film forecast method based on the proportion that the current year’s revenue bears to the estimate of ultimate revenue that management regularly reviews and revises when necessary. Ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release of the film.

Television costs primarily represent the costs the Company has incurred to produce scripted and unscripted television programs for third parties. The capitalized costs will be expensed to the statement of operations when the program is delivered to the third party.

Capitalized film costs are subject to impairment testing as a film group or individual film or television program, and is evaluated for impairment when an event or change in circumstances indicates that the fair value of an individual film or film group is less than its unamortized cost. A film group represents the unit of account for impairment testing for a film or license agreement for program material when the film or license agreement is expected to be predominately monetized with other films and/or license agreements instead of being predominately monetized on its own. A film group is defined as the lowest level at which identifiable cash flows are largely independent of the cash flows of other films and/or license agreements.

*Content Monetized Individually.* For content that is predominately monetized individually (primarily investment in film and television programs), the unamortized costs of the individual film are compared to the estimated fair value of the individual film. The fair value is determined based on a discounted cash flow analysis of the cash flows directly attributable to the title. To the extent the unamortized costs exceed the fair value, an impairment charge is recorded for the excess.

*Content Monetized as a Group*. For content that is predominately monetized as a group, the aggregate unamortized costs of the group are compared to the present value of the discounted cash flows of the group using the lowest level for which identifiable cash flows are independent of other produced and licensed content. If the unamortized costs exceed the present value of discounted cash flows, an impairment charge is recorded for the excess and allocated to the individual titles based on the relative carrying value of each title in the group.

*Valuation Assumptions.* The discounted cash flow analysis includes cash flows estimates of ultimate revenue and costs as well as a discount rate (a Level 3 fair value measurement, see Note 10). The discount rate utilized in the discounted cash flow analysis is based on the weighted average cost of capital of the Company plus a risk premium representing the risk associated with producing a particular film or television program or film group. The fair value of any film costs associated with a film or television program that management plans to abandon is zero. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

There were no impairments for the three months ended June 30, 2019 and 2020.

Distribution and marketing costs are expensed as incurred.

As of March 31, 2020 and June 30, 2020, the Company's film and television costs consist of the following:

| | March 31, 2020 | June 30, 2020 (unaudited) |
|---|---|---|
| Film costs: | | |
| In development | $ 12,560 | $ 17,649 |
| In production | 3,330 | — |
| Completed but not released | — | 3,330 |
| Released | 75,779 | 47,106 |
| Total film costs | 91,669 | 68,085 |
| | | |
| Television costs: | | |
| In development | 1,865 | 2,229 |
| In production | 3,774 | 1,880 |
| Total television costs | 5,639 | 4,109 |
| | | |
| Total film and television costs | $ 97,308 | $ 72,194 |

The Company anticipates that approximately 58% of the costs of its completed films and 89% of the costs of its films in release as of June 30, 2020 will be amortized over the next 12 months and 3 years, respectively.

Amortization of film costs for the three months ended June 30, 2019 and 2020 was $38,116 and $29,097, respectively, and included in Direct operating expenses.

**3. Debt**

**JPMorgan Credit Facility**

On October 7, 2016, the Company and JPMorgan Chase Bank, N.A. entered into a $400 million five-year senior secured revolving credit facility. This revolving credit facility, which replaced prior existing production and corporate facilities, could be increased by up to $200 million. All advances are subject to a borrowing base determined and secured by a variety of Company assets. Repayments of all outstanding balances and interest will be due on October 7, 2021. For LIBOR loans, the interest is equal to 3.00% plus LIBOR. The Company is required to pay a commitment fee at an annual rate of 0.75%, if credit exposure is less than 50% of total commitments, and 0.50% if credit exposure is more than 50% of the undrawn amounts. The effective interest rate is 5.03% as of March 31, 2020 and 4.52 % as of June 30, 2020.

On April 17, 2020, the revolving credit facility was amended to decrease the revolving credit facility to $350 million and increased the ability to increase the borrowings to $250 million. The incremental amounts will be issued on the same terms as the existing revolving credit facility. Debt issuance costs of $456 million were written off in connection with this amendment.

The summary of the revolving credit facilities described above and related debt issuance costs are as follows:

| | March 31, 2020 | June 30, 2020 (unaudited) |
|---|---|---|
| JPMorgan credit facility | $ 230,369 | $ 216,761 |
| Debt issuance costs | (4,380) | (3,194) |
| Revolving credit facilities | $ 225,989 | $ 213,567 |

**Term Loans**

On March 3, 2014, the Company entered into a six-year term loan agreement, as amended and restated as of May 2, 2014, for $35.2 million with Red Fish Blue Fish, LLC, who is also a stockholder and an affiliate of a stockholder. The term loan was drawn on October 20, 2014 and was used to finance production and acquisition of feature-length motion pictures and for general corporate purposes. The term loan is currently recorded at a discount, which includes a 1% agent fee deducted from the total debt and the fair value of the 940,524 common shares issued to the lender as part of the agreement. The term loan was initially set to mature on March 3, 2020.

On October 7, 2016, the Company amended the existing term loan agreement with Red Fish Blue Fish, LLC to extend the maturity to July 7, 2022 to comply with the extension of the credit facilities. Red Fish Blue Fish, LLC received 26,525 shares of common stock in connection with this agreement. The Company is required to pay interest at an annual rate of 11.0% (9.0% in cash and 2.0% in kind).

**Paycheck Protection Program**

On April 4, 2020, The Company was granted a loan from JPMorgan Chase Bank, N.A. in the aggregate amount of $2.9 million at an interest rate of 0.98% per annum, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act which was enacted March 27, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses. The Company intends to use the entire loan amount for purposes consistent with the PPP. The Company anticipates the loan to be fully forgiven.

The following tables sets forth future annual contractual principal payment commitments of debt as of June 30, 2020.

| | | At June 30 (unaudited) | | | | |
|---|---|---|---|---|---|---|
| **Debt Type** | **Maturity Date** | **2021** | **2022** | **2023** | **Thereafter** | **Total** |
| JPMorgan credit facility | October 2021 | $ — | $ 216,761 | $ — | $ — | $ 216,761 |
| Red Fish Blue Fish term | July 2022 | — | — | 43,068 | — | 43,068 |
| Paycheck Protection Program | | — | — | — | 2,954 | 2,954 |
| | | — | 216,761 | 43,068 | 2,954 | 262,783 |
| Less: aggregate unamortized discount and debt issuance costs | | | | | | (3,682) |
| Total | | | | | | 259,101 |

As of June 30, 2020, the Company is in compliance with all debt covenants.

**4. Leases**

The Company has operating leases for its offices. Its leases have remaining lease terms of up to six years, some of which include options to extend leases up to 5 years. Certain leases contain provisions for property related costs that are variable in nature for which the Company is responsible, including common area maintenance and other property operating services. These costs are calculated based on a variety of factors including property values, tax and utility rates, property service fees, and other factors. The Company records rent expense for operating leases, some of which have escalating rent payments, on a straight-line basis over the lease term. The Company does not have any finance leases.

The tables below present information regarding the Company's lease assets and liabilities:

| | At June 30, 2020 (unaudited) |
|---|---|
| **Assets:** | |
| Operating lease right of use assets | $ 9,415 |
| | |
| **Liabilities:** | |
| Current operating | 1,933 |
| Long-term operating | 10,580 |
| Total | $ 12,513 |
| | |
| Weighted-average remaining lease term – operating leases (in years) | 5.2 |
| Weighted-average discount rate – operating leases | 7.8% |

The components of lease expense were as follow:

| | Three months ended June 30, 2020 (unaudited) |
|---|---|
| **Operating leases:** | |
| Operating lease costs | $ 600 |
| Variable lease costs | 14 |
| Operating lease expense | 614 |
| | |
| Short-term lease rent expense | 16 |
| Net rent expense | $ 630 |

The following tables sets forth our future annual repayment of contractual commitments of future minimum rental payments due under office leases as of June 30, 2020:

| At June 30: | Operating Leases |
|---|---|
| 2021 | $ 2,841 |
| 2022 | 2,915 |
| 2023 | 2,906 |
| 2024 | 2,852 |
| 2025 | 2,490 |
| Thereafter | 1,367 |
| Total | 15,371 |
| Less: Present value discount | (2,858) |
| Operating lease liabilities | $ 12,513 |

**Supplemental cash flow information related to leases was as follows:**

| | Three months ended June 30, 2020 (unaudited) |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating lease costs | $ 706 |
| Right-of-use assets obtained in exchange for new lease obligations: | |
| Operating lease costs | $ 0 |

Rent expense was $777 and $630 for the three months ended June 30, 2019 and 2020.

Right-of-use assets are recorded in non-current Other assets in the accompanying consolidated balance sheet as of June 30, 2020. Lease liabilities are recorded in Accounts payable and accrued expenses, and Other liabilities in the accompanying consolidated balance sheet as of June 30, 2020.

**5. Convertible Redeemable Preferred Stock**

*Convertible Redeemable Preferred Stock*

| | March 31, 2020 | | |
|---|---|---|---|
| | Shares Authorized | Shares Issued and outstanding | Liquidation Preference ($000) |
| Class A | 10,207 | 10,207 | $ 20,377 |
| Class B | 85,000 | 85,000 | $ 169,442 |
| Class C | 214,588 | 166,088 | $ 235,491 |
| Class D | 132,618 | 125,104 | $ 138,769 |

| | June 30, 2020 (unaudited) | | |
|---|---|---|---|
| | Shares Authorized | Shares Issued and outstanding | Liquidation Preference ($000) |
| Class A | 10,207 | 10,207 | $ 20,981 |
| Class B | 85,000 | 85,000 | $ 174,466 |
| Class C | 214,588 | 166,088 | $ 242,134 |
| Class D | 132,618 | 125,104 | $ 142,163 |

The rights and preferences of the holders of preferred stock are as follows:

Dividend and liquidation preferences – No dividends shall be paid on any shares of any class of capital stock of the Company, unless a dividend is paid with respect to all outstanding shares of Class D, Class C and Class B, followed by Class A. The Company has not declared any dividends on any class of capital stock as of June 30, 2020. Unpaid dividends accumulate for each share of Class A, Class B, and Class C on a daily basis at the rate of 12% per annum and for Class D on a daily basis at the rate of 10% per annum on the sum of the Class liquidation value thereof from and including the date of issuance to and including the first occurrence of liquidation, conversion, or acquisition. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of preferred stock shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment shall be made to the holders of common stock, an amount per share equal to the greater of the aggregate Class liquidation value, plus unpaid accrued and accumulated dividends, and the amount that would be received upon liquidation if all shares of the Class were converted into common stock immediately prior to liquidation.

The Class D are entitled to receive a cash payment (“Exit Payment”) of $33,000, pro rata to each holder of Class D, upon the consummation of certain transactions, including a liquidation of the Company or a Qualified IPO or Deemed Liquidation, each as defined in the Amended Charter. The aggregate Exit Payment increases by approximately $8,375 as of May 11, 2020 (the fifteen-month anniversary of the Class D Issuance Date) and each three-month anniversary thereof until the total Exit Payment reaches a maximum of $100,000. If the Exit Payment has not been paid on or prior to July 8, 2022, each holder of Class D will be entitled to receive a pro rata share of the Exit Payment in connection with any redemption of Class D. The Class D Exit Payment is liability-classified and marked to market at each reporting period. The fair value attributed to the liability as of February 2019 (issuance) was $23,500 which was recorded as an offset to the proceeds of Class D. As of March 31,2020 and June 30, 2020, the fair value attributed to the Exit Payment liability was $34,733 and $39,816, respectively, which is recorded in Shareholder liability on the accompanying consolidated balance sheets. The fair value of the Exit Payment liability was determined using Level 3 of the fair value hierarchy under ASC 820 Fair Value Measurements and Disclosures. The fair value was determined using a valuation model which considers the probability of a voluntary conversion, the timing of the conversion and the Company’s cost of capital. The expense for the three months ended June 30, 2019 was $9,559 and for the three months ended June 30, 2020 was $5,083, which is recorded to Shareholder exit expense in the accompanying consolidated statements of operations.

Conversion rights – Preferred stock shall be convertible at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of common stock as is determined by multiplying the number of preferred shares to be converted by $1,000 and dividing the result by the Class conversion price for each class of stock. The conversion price for Class A, Class B, Class C and Class D is $1.1838, $7.4378, $42.7282 and $42.7282, respectively.

Voting rights – The holders of the preferred stock shall be entitled to the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by such holders are convertible as of the record date for determining stockholders entitled to vote on such matters.

Redemption rights – Preferred stock shall be redeemed by the Company at a price equal to the Class liquidation value, plus all declared but unpaid dividends there on request, in annual installments commencing not more than 90 days after receipt by the Company at any time on or after July 8, 2022, from the holders of at least a majority of the then-outstanding shares of the Class, with written notice requesting redemption of all shares. Since redemption of the preferred stock is outside of the control of the Company, the shares have been reflected outside of stockholders’deficit. All classes of preferred stock are being accreted to their redemption value through redemption date by periodic charges to paid-in-capital (or retained deficit if paid-in-capital is reduced to zero) each reporting period, using the interest method. An aggregate of $15,319 and $16,670 was accreted to preferred stock for the three months ended June 30, 2019 and 2020, respectively.

On February 8, 2019, certain terms of the existing classes of preferred stock were amended, including extending the initial exercise date for certain redemption rights of the holders of the Company's Class A, Class B and Class C from December 3, 2019 to July 8, 2022, except for the rights of certain Class C preferred stockholders who did not consent to the Amended Charter (Non-Consenting Class C Holders). The initial exercise date for the redemption rights of Non-Consenting Class C Holders, who collectively hold 13,000 shares of Class C as of the Class D Issuance Date, was not amended and such rights remain exercisable during the six-month period beginning December 3, 2019. The Non-Consenting Class C Holders were entitled to elect, up until September 30, 2019, that the initial exercise date of their redemption rights be extended to commence as of July 8, 2022. Class D shall rank senior to Class C, which shall rank senior to Class B, which shall rank senior to Class A, the common stock, and any other junior securities with respect to the payment of dividends and the redemption or repurchase of any shares of the Company.

In December 2019, the Company received Notices of Redemption from Non-Consenting Class C Holders to exercise their redemption rights for 12,000 shares of Class C stock. The Company has not received notices from Non-Consenting Class C Holders holding 1,000 shares. Redemption of the Class C shares of Non-Consenting Class C Holders will not be required under the Company's certificate of incorporation if not permitted under the Company's existing debt agreements. The Company has not yet determined whether or when such redemption will be required. None of the Non-Consenting Class C Holders have elected to extend the exercise date to July 8, 2022. As of the date of the redemption notices received in December 2019, the Company reclassified $15,372 from Class C convertible preferred stock to Accounts payable and accrued expenses to reflect this obligation.

## 6. Stock Based Compensation

### Equity Awards

In prior years, stock options were granted under the Company's 2014 Incentive Stock Plan ("2014 Plan"). In April 2017, the Company and the Board of Directors approved the 2017 Equity Incentive Plan ("2017 Plan"). Under the 2017 Plan, stock options, stock appreciation rights, restricted stock awards and other stock-based awards may be granted to eligible employees. There are 1,750,000 common stock shares available for grant under the 2017 Plan, of which 519,048 and 511,111 were awarded and outstanding as of March 31, 2020 and June 30, 2020 as restricted stock units and stock options. Stock options under the plan are granted with exercise prices equal to fair market value on the date of the grant. All option grants expire ten years after the date of the grant.

Equity awards to officers, employees, and consultants become exercisable on a vesting schedule established by management and approved by the Board of Directors at the time of grant, generally straight line over a four-year period. The Company treats equity awards with multiple vesting tranches as a single award for expense attribution purposes and recognizes compensation cost based on the vesting schedule over the requisite service period of the entire award.

The following table summarizes stock option activity for the three months ended June 30, 2019 and 2020:

| | Number of Options | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding at March 31, 2019 | 2,869,501 | $ 1.43 |
| Forfeited | (65,521) | 1.66 |
| Outstanding at June 30, 2019, vested or expected to vest in future (unaudited) | 2,803,980 | 1.42 |
| Exercisable at June 30, 2019 (unaudited) | 2,686,259 | 1.31 |

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding at March 31, 2020 | 2,734,907 | $ | 1.40 |
| Forfeited | — | | — |
| Outstanding at June 30, 2020, vested or expected to vest in future (unaudited) | 2,734,907 | | 1.40 |
| Exercisable at June 30, 2020 (unaudited) | 2,695,323 | | 1.37 |

There were no stock options exercised for the three months ended June 30, 2019 and 2020.

The weighted-average remaining contractual term and the aggregate fair value of outstanding options as of March 31, 2020 was 4.6 years and $113,936.

The weighted-average remaining contractual term and the aggregate fair value of outstanding options as of June 30, 2020 was 4.3 years and $113,936.

The Company did not grant restricted stock awards for the three months ended June 30, 2019 and June 30, 2020. The awards contain service-based and performance-based conditions to vest in the underlying common stock. Most restricted stock units contain performance conditions that are satisfied only on consummation of an initial public offering.

The performance measures are not considered probable June 30, 2020. Accordingly, no compensation expense has been recorded for such awards for the three months ended June 30, 2019 and 2020.

The following table summarizes restricted stock unit activity for three months ended June 30, 2019 and 2020:

| | Number of RSU's | | Weighted-Average Grant-Date Fair Value |
|---|---|---|---|
| Outstanding at March 31, 2019 | 632,372 | $ | 25.18 |
| Forfeited | (25,619) | | 40.56 |
| Outstanding at June 30, 2019 (unaudited) | 606,753 | | 24.53 |

| | Number of RSU's | | Weighted-Average Grant-Date Fair Value |
|---|---|---|---|
| Outstanding at March 31, 2020 | 519,048 | $ | 23.34 |
| Forfeited | (7,937) | | 41.66 |
| Outstanding at June 30, 2020 (unaudited) | 511,111 | | 23.05 |

The fair values of restricted stock units are determined based on the market value of the shares on the date of grant.

As of June 30, 2019 and 2020, there was $219 and $76 respectively, of total unrecognized stock-based compensation cost related to non-vested stock options and restricted stock unit awards. That cost is expected to be recognized over a weighted-average remaining vesting period of 1.6, and 0.8 years, respectively.

The Company recognized noncash stock-based compensation expense of $49 and $31 during the three months ended June 30, 2019 and 2020. As of June 30, 2019 and 2020, there were 153,778 and 222,851 awards, respectively, in the 2014 Plan and 1,143,247 and 1,238,889 awards, respectively, in the 2017 Plan that were available for grant.

In connection with theatrical exhibition agreements entered into in July 2013, the Company issued warrants exercisable for 1,342,298 common shares on March 3, 2014, at an exercise price of $7.29 per share. To prevent dilution, the exercise price and number of common shares issuable are subject to adjustment. The warrants have an exercise life of ten years. No warrants were exercised as of June 30, 2020. The warrants were valued at $0.427 per share for an aggregate value of approximately $573 on the date of grant. Since the warrants were issued in connection with obtaining domestic theatrical distribution rights, the value was capitalized in other assets and was being amortized to film operating expenses over the five-year term of the exhibition agreements.

The fair value of the warrants at the grant date was determined using the Black-Scholes option pricing model using an expected life of 10 years, expected volatility of 65%, risk-free interest rate of 0.5%, and no dividend yield as the assumptions.

In connection with the issuance of Class D shares, the Company issued 9,858 warrants to certain investors with an exercise price of $0.01 per share. The warrants were fully vested and exercised on the date of issuance by the investors. The difference between the value of the warrants and the issue price of the Class D shares is being accreted to redemption value consistent with the other shares of Class D.

**7. Revenue**

The table below presents revenues by market and product line for the three months ended June 2019 and 2020, respectively.

| | Three Months Ended June 30 | |
|---|---|---|
| | 2019 | 2020 |
| | (unaudited) | |
| Film: | | |
| Theatrical | $ 16,937 | $ — |
| Home entertainment | 26,323 | 31,863 |
| TV/Streaming | 22,375 | 40,439 |
| Other post theatrical | 173 | 1,379 |
| International | 22,396 | 18,445 |
| Total film | 88,204 | 92,126 |
| | | |
| Television and other | 22,401 | 5,030 |
| Total revenue | $ 110,605 | $ 97,156 |

**8. Income Taxes**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 (2017 Tax Act). Corporate taxpayers may carryback net operating losses (NOLs) originating during 2018 through 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020. Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the 2017 Tax Act) for tax years beginning January 1, 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the 2017 Tax Act. In addition, the CARES Act raises the corporate charitable deduction limit to 25% of taxable income and makes qualified improvement property generally eligible for 15-year cost-recovery and 100% bonus depreciation.

With the enactment of the CARES Act, the Company does not expect a financial statement impact. The Company has not recorded any financial statement expense or benefit relate to the Act for the three months ended June 30, 2020.

The income tax provision for the three months ended June 30, 2019 and 2020 is calculated by using the discrete effective tax rate method. The discrete method was applied as the estimated annual effective tax rate does not reliably estimate the annual effective tax rate of the Company. The Company's income tax provision differs from the federal statutory rate multiplied by pre-tax income (loss) primarily due to valuation allowance recognized against federal, state and foreign deferred tax assets. The Company's total income tax provision primarily consists of foreign withholding taxes, $111K and $90K, respectively, for the three months ended June 30, 2019 and 2020.

As of June 30 2020, the Company had no unrecognized tax benefits and does not anticipate this position to change within the next twelve months. The Company will recognize any interest and penalties associated with uncertain tax positions within the income tax provision.

**9. Financial Instruments**

Credit Risk:
Concentration of credit risk with the Company's customer is limited due to the Company's customer base and the diversity of its sales throughout the world. The Company performs ongoing credit evaluations and maintains a provision for potential credit losses when deemed necessary. The Company generally does not require collateral for its trade accounts receivable.

Forward Contracts:
The Company enters into forward foreign exchange contracts to hedge its foreign currency exposure on future production expenses denominated in various foreign currencies (i.e. cash flow hedges). The Company monitors its positions and the credit quality of, the financial institutions that are party to its financial transactions.

As of March 31, 2020, and June 30, 2020, the Company had the following outstanding forward foreign exchange contracts (all outstanding contracts have maturities of less than four months from June 30, 2020):

**March 31, 2020**

| Foreign Currency | Foreign Currency Amount | | US Dollar Amount | Weighted Average Exchange Rate Per USD |
|---|---|---|---|---|
| Canadian dollar | 9,376 | in exchange for | $ 7,113 | $ 1.33 |

**June 30, 2020 (unaudited)**

| Foreign Currency | Foreign Currency Amount | | US Dollar Amount | Weighted Average Exchange Rate Per USD |
|---|---|---|---|---|
| Canadian dollar | 5,595 | in exchange for | $ 4,056 | $ 1.35 |

The loss capitalized to productions and loss/gain recognized in the accompanying consolidated statements of operations for the three months ended June 30, 2020 related to foreign currency derivatives was immaterial.

**10. Fair Value**

Accounting guidance and standards about fair value define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Fair Value Hierarchy**

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The accounting guidance and standards establish three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

The Company has assessed that the fair values of trade receivables, financial assets included in prepaid and other assets, restricted cash and cash and cash equivalents, trade payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The following table sets forth the carrying values and fair values of the Company's outstanding debt at March 31, 2020 and June 30, 2020.

| | March 31, 2020 | |
|---|---|---|
| **Liabilities** | **Carrying Value** | **Fair Value** |
| Red Fish Blue Fish Term Loan | $ 42,092 | $ 44,817 |
| JPMorgan Credit Facility | 225,989 | 230,369 |

| | June 30, 2020 | |
|---|---|---|
| **Liabilities** | **Carrying Value** | **Fair Value** |
| Red Fish Blue Fish Term Loan | $ 42,580 | $ 44,102 |
| JPMorgan Credit Facility | 213,567 | 216,761 |
| Paycheck Protection Program | 2,954 | 2,954 |

## 11. Additional Financial Information

The composition of the Company's Other current assets, non-current other assets, and accounts payable and accrued expenses are as follows as of March 31, 2020 and June 30, 2020:

| | March 31, 2020 | June 30, 2020 (unaudited) |
|---|---|---|
| Other current assets: | | |
| Co-finance receivables | $ 3,052 | $ 3,005 |
| Prepaid expenses | 1,648 | 988 |
| Tax credits receivable | 17,416 | 10,760 |
| Other | 2,099 | 1,556 |
| Total | $ 24,215 | $ 16,309 |
| | | |
| Non-current other assets: | | |
| Tax credits receivable | 10,370 | 10,293 |
| Accounts receivable | 15,450 | 16,576 |
| Lease asset | 9,772 | 9,415 |
| Other | 4,016 | 3,229 |
| Total | $ 39,608 | $ 39,513 |
| | | |
| Accounts payable and accrued expenses: | | |
| Print and advertising payable | $ 43,532 | $ 37,560 |
| Lease liability | 1,830 | 1,933 |
| Accounts payable | 33,250 | 29,855 |
| Returns reserve | 8,096 | 7,639 |
| Accrued payroll and related | 4,855 | 7,545 |
| Accrued interest | 2,594 | 1,254 |
| Accrued other | 392 | 638 |
| Total | $ 94,549 | $ 86,424 |

## 12. Subsequent Events

### Merger with Eros International Plc

On July 30, 2020, the Company merged with Eros International Plc. ("Eros"), a public company based in Mumbai, India, in accordance with the terms of an Agreement and Plan of Merger, dated as of April 17, 2020 (as amended, restated or otherwise modified from time to time).

Although Eros legally acquired the Company, the merger is intended to be accounted for as a reverse acquisition, whereby the Company will be deemed the accounting acquiror and the assets and liabilities of Eros will be recorded at their fair values on the date of acquisition. In connection with the merger, all outstanding stock options, restricted share units and warrants of the Company were canceled.

### JPMorgan Credit Facility

The JPMorgan Credit Facility was amended on September 18, 2020 (effective as of December 9, 2020) which resulted in the release of a lien on one of the Company's films, the consent to the change in the Company's fiscal year end from September 30 to March 31, and certain contractual values being included in the calculated borrowing base. In connection therewith, the Company repaid $31 million of the outstanding balance.

**Exhibit 99.3**

# OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following is a discussion and analysis of the financial condition and results of operations of STX Filmworks, Inc., which you should read in conjunction with the consolidated financial statements of STX Filmworks, Inc. and related notes included as Exhibit 99.2 to this Report of Foreign Private Issuer on Form 6-K. The following discussion contains forward-looking statements based upon our current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed in "Part II—Item 3. Key Information—Risk Factors" in Eros STX Global Corporation's transition report on Form 20-F, submitted to the SEC on October 30, 2020 (as amended).*

## Overview

We are an innovative global entertainment company that develops, produces and distributes premium content across a variety of platforms. We generate revenue from box office receipts and licensing and distribution arrangements for films, TV and other content. During the three months ended June 30, 2020, approximately 95% of our revenue was generated from our films.

Our revenue decreased from $110.6 million for the three months ended June 30, 2019 to $97.2 million for the three months ended June 30, 2020.

We have incurred losses in each of our fiscal years since we commenced operations. We had a loss from operations of $50.4 million and income from operations of $21.0 million for the three months ended June 30, 2019 and 2020, respectively, and negative EBITDA of $59.4 million and positive $16.4 million, respectively, for the same periods. Free cash flow was negative $84.8 million and positive $30.1 million for the three months ended June 30, 2019 and 2020, and we had cash, cash equivalents, and restricted cash of $45.9 million and $55.8 million as of the end of such periods, respectively. For definitions of EBITDA and free cash flow, see ''—Non-GAAP Measures.''

Under U.S. GAAP, STX is required to expense in its statements of operations marketing and distribution costs upon release of its films, but amortize production expenses to match the first cycle revenue window for each film. Accordingly, like other film studios that report in U.S. GAAP, STX recorded greater expenses relative to projected future revenue as it was ramping its production and distribution. However, STX's operating cash flow and EBITDA have generally improved in the periods prior to the Merger as its content library scaled. The Company believes STX is now at a point of realizing the sustainable benefits of a well-established film library, while continuing to invest in long-lived content ownership and revenue growth. As such, the Company's previously disclosed guidance reflects expected ongoing improvement in these operating results.

### *COVID 19 Pandemic*

***The COVID-19 pandemic and other adverse public health developments has adversely affected our business and results of operations.***

The COVID-19 outbreak has caused significant disruptions, and the outbreak has spread globally to many countries where we distribute films. On March 11, 2020, the World Health Organization designated the outbreak a pandemic. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including imposing restrictions on movement and travel such as quarantines and shelter-in-place requirements, or nationwide lockdowns, as well as restricting or prohibiting outright some or all commercial and business activity, including the closure of some or all theaters and disrupting the production and availability of content, including delayed, or in some cases, shortened or cancelled theatrical releases. These measures, though currently temporary in nature, may become more severe and continue indefinitely depending on the evolution of the pandemic. Although a vaccine has been recently made available to the public, the vaccine distribution to the public is in the early stages and the pandemic is expected to worsen before it gets better.

The pandemic has affected our ability to generate revenues from the monetization of film content in various distribution channels through agreements with commercial theater operators and may continue to do so unless and until the pandemic subsides or an effective treatment or vaccine is discovered. The extent of the adverse impact on our financial and operational results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration of COVID-19 and among other things, the impact of governmental actions imposed in response to the pandemic and individuals' and companies' risk tolerance regarding health matters going forward. Our business also could be significantly affected even after reopening of certain operations, should the disruptions caused by the COVID-19 lead to changes in consumer behavior (such as social distancing becoming the norm independent of any pandemic conditions) and also delayed in production schedule. For example, some areas may not re-open movie theaters or, if they do, some individuals may not feel comfortable gathering in public places such as movie theaters.

The continued spread of COVID-19 has adversely affected many industries, as well as the economies and financial markets of many countries, including many of the countries in which we distribute content, resulting in a significant deceleration of economic activity. This slowdown has, among other things, reduced production, decreased the level of trade, and led to widespread corporate downsizing, causing a sharp increase in unemployment. We have also seen significant disruption of, and extreme volatility in, the global capital markets, which could increase the cost of, or entirely restrict our access to, capital. This volatility and uncertainty have adversely affected our stock price and may continue to do so. As a result, to the extent we determine it is in our best interests to access the capital markets or refinance some or all of our indebtedness, we may not be able to do so on terms that are acceptable to us, or at all. The impact of COVID-19 and the governmental responses thereto on global, national and local economies is still uncertain and, unless the outbreak is contained, these adverse impacts could worsen, impacting all segments of the global economy, and result in a significant recession or worse. Considerable uncertainty still surrounds COVID-19 and its potential effects, and the extent of and effectiveness of any responses taken on a local, national and global level. Infections may become more widespread and that could accelerate or magnify one or more of the risks described above. While we expect the pandemic and related events will have a negative effect on our business, the full extent and scope of the impact on national, regional and global markets and economies, and therefore our business and industry, is highly uncertain and cannot be predicted. Accordingly, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively affected, any of which could have a material adverse impact on our business and our results of operation and financial condition.

Additionally, on March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which contains provisions intended to mitigate the adverse economic effects of the COVID-19 pandemic. It is uncertain whether, or how much, Eros and STX may benefit from the current CARES Act and any subsequent legislation or government action intended to provide financial relief or assistance, either in the U.S. or abroad.

We are monitoring the rapidly evolving situation and its potential impacts on our financial position, results of operations, liquidity, and cash flows.

**Description of Major Components of our Results of Operations**

***Revenue***

We generate revenue from both our film and TV and other operations. We generate revenue from direct distribution of our films in the United States, Canada, the United Kingdom and Ireland through (i) the remittance of a portion of gross box office receipts by theater operators, (ii) the recognition of advances paid by distributors as physical copies of our films on DVD and Blu-ray discs are sold, (iii) the remittance of a portion of receipts by digital platforms from the sale of digital copies of our films, and (iv) the receipt of license fees from pay TV networks, streaming platforms and free TV networks. We generate revenue from our films in the rest of the world through the receipt of license fees plus a portion of the gross receipts after the distributor recoups their license fee. During the three months ended June 30, 2019 and June 30, 2020 over 87% of our revenue was generated from our films. During the same periods, approximately 15.3% and nil%, respectively, of our revenue was from the theatrical release of our films in the United States and Canada.

We generate revenue from our TV and other content through the receipt of producer and license fees from cable and broadcast networks, streaming platforms and publishers and social media platforms. Revenue generation from our TV and other content is in an early stage compared to our film content and did not account for a significant portion of our revenue during the three months ended June 30, 2019 and 2020. However, as our TV and other business further develops, we anticipate that it will account for an increasing portion of our revenue going forward.

The table below sets forth our revenue generated by each of these aspects of our business operations and such revenue as a percentage of total revenue.

| | For the Three Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2019 | | 2020 | |
| | $ | % | $ | % |
| | (in thousands, except percentages) (unaudited) | | | |
| **Revenue** | | | | |
| Film | | | | |
| Theatrical | 16,937 | 15.3 | — | 0.0 |
| Home Entertainment | 26,323 | 23.8 | 31,863 | 32.8 |
| TV/streaming | 22,375 | 20.2 | 40,439 | 41.6 |
| Other Post-Theatrical | 173 | 0.2 | 1,379 | 1.4 |
| International | 22,396 | 20.2 | 18,445 | 19.0 |
| Total Film | 88,204 | 79.7 | 92,126 | 94.8 |
| TV and Other | 22,401 | 20.3 | 5,030 | 5.2 |
| Total revenue | 110,605 | 100.0 | 97,156 | 100.0 |

Our theatrical revenue, which consists of our share of gross box office receipts from theater operators in the United States and sub-distributors in Canada, fluctuates largely based on the number of films that we release during the period and the success of those films in attracting moviegoers. We anticipate that our focus going forward will be on films that we develop or co-develop, produce or co-produce and for which we acquire or retain the domestic and/or international distribution rights (referred to as ‘‘produced and distributed films’’).

Our post-theatrical revenue consists of (i) home entertainment, which is revenue generated in the United States and Canada from the remittance of sale proceeds by distributors from the sale of physical copies of our films on DVD and Blu-ray discs, (ii) TV/streaming, which is the remittance of a portion of receipts by digital platforms from the sale of digital copies of our films, the receipt of license fees from pay TV, streaming platforms and free TV and (iii) other post-theatrical revenue including revenue generated through the receipt of fees for exhibition of our films by non-cinematic organizations, such as airlines, hotels and others. Post-theatrical revenue is dependent largely upon the success of our films with home movie-watchers, which generally is related to the theatrical success of our films within the United States.

Our international revenue consists of the revenue generated from our films in markets other than the United States and Canada. In the United Kingdom and Ireland, we distribute our films directly. As in the U.S. market, theater operators in the United Kingdom and Ireland remit a portion of gross box office receipts to us. Other than in the United States, the United Kingdom and Ireland, we license distribution rights in the films we produce and/or distribute on a territory-by-territory basis to our distribution partners. In these territories, we generate revenue primarily through the receipt of minimum guaranteed license fees. We also have some upside potential under these agreements, which generally provide that we receive a portion of the gross receipts after the distributor recoups its minimum guaranteed license fee. Our international revenue varies based on the international appeal of our films, which is often linked to the theatrical success of our films within the United States. However, because international licensing revenue includes revenue from licensing for theatrical, home entertainment, TV and digital distribution of our films in foreign markets, it is not as susceptible to large variations caused by the success of a small number of films.

***Operating Expenses***

Operating expenses primarily include: (i) direct operating expenses, which primarily include film and television amortization, participations and residuals and allocated overhead, (ii) distribution and marketing expenses, which include advertising and marketing expenses and home video distribution expenses, (iii) general and administrative expenses, including wages, salaries, severance costs and fees paid to employees and consultants, including share based expenses, travel and entertainment expenses, facilities and office expenses, including lease payments, certain office supplies and office services and outside professional fees such as accountants, lawyers and other advisors, and (iv) depreciation and amortization. For the three months ended June 30, 2019 and 2020, our total operating expenses were $161.0 million and $76.1 million, respectively.

The table below provides details as to our operating expenses during the periods indicated:

| | For the Three Months Ended June 30, | |
|---|---|---|
| | **2019** | **2020** |
| | **(in thousands) (unaudited)** | |
| Direct operating expenses | $ 77,912 | $ 45,198 |
| Distribution and marketing expenses | 67,568 | 10,938 |
| General and administrative expenses | 14,974 | 16,416 |
| Depreciation and amortization expenses | 540 | 435 |
| Restructuring expense | — | 3,141 |
| Total operating expenses | $ 160,994 | $ 76,128 |

For distribution-only films, other producers generally cover all the development, production, advertising and marketing costs, and we earn a distribution fee and other consideration while assuming minimal financial risk, other than the minimum guaranteed license fee we pay or co-financing investment in any such film or any portion of our distribution fee which is contingent on film performance.

***Interest Expense***

Interest expense primarily represents (i) interest on bank and other borrowings, and (ii) other finance costs, including facility fees in connection with our Prints and Advertising Facility, amortization of debt issuance costs and interest accrued for Series C Non-Consenting shareholders requesting redemption of their shares. For the three months ended June 30, 2019 and 2020, our interest expense was $6.1 million and $5.7 million, respectively.

**Results of Operations**

The table below sets forth our consolidated statements of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included as an exhibit in this prospectus. The results of operations for our TV and other segment are not material to the trend of the financials and therefore, the results of operations discussed below do not treat the results of our Film segment and our TV and other segment separately.

| | For the Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (in thousands) (unaudited) | |
| **Revenue** | $ 110,605 | $ 97,156 |
| **Expenses** | | |
| Direct operating expenses | 77,912 | 45,198 |
| Distribution and marketing expenses | 67,568 | 10,938 |
| General and administrative expenses | 14,974 | 16,416 |
| Depreciation and amortization expenses | 540 | 435 |
| Restructuring expense | — | 3,141 |
| Total operating expenses | 160,994 | 76,128 |
| (Loss) income from operations | (50,389) | 21,028 |
| **Other income (expense)** | | |
| Interest income | 129 | — |
| Interest expense | (6,109) | (5,699) |
| Shareholder exit expense | (9,559) | (5,083) |
| (Loss) income before income taxes | (65,928) | 10,246 |
| Income tax provision | 111 | 90 |
| **Net (loss) income** | $ (66,039) | $ 10,156 |

**Three Months Ended June 30, 2020 to Three Months Ended June 30, 2019**

***Revenue***

Our revenue decreased by 12%, from $110.6 million for the three months ended June 30, 2019 to $97.2 million for the three months ended June 30, 2020. This decrease was the result of a decrease in the TV operations.

Our revenues from film increased by 4%, from $88.2 million for the three months ended June 30, 2019 to $92.1 million for the three months ended June 30, 2020. The increase was primarily due to an increase in the three months ended June 30, 2020 of our post-theatrical revenue from $48.9 million for the three months ended June 30, 2019 to $73.7 million for the three months ended June 30, 2020. This is offset by a decrease in theatrical revenues from $16.9 million for the three months ended June 30, 2019 to nil for the three months ended June 30, 2020, due to the closure of theaters as a result of COVID-19. Also, due largely to COVID-19 and the delay in the release of films, our international revenues decreased from $22.4 million in the three months ended June 30, 2019 to $18.4 million for the three months ended June 30, 2020.

Our revenues from TV and other operations, which include TV and digital programming, decreased by 78%, from $22.4 million for the three months ended June 30, 2019 to $5.0 million for the three months ended June 30, 2020. This decrease was primarily due to a high revenue non-scripted TV show being delivered during the three months ended June 30, 2019 with no comparable TV show in the three months ended June 30, 2020.

***Direct operating expenses***

Direct operating expenses decreased by 42%, from $77.9 million for the three months ended June 30, 2019 to $45.2 million for the three months ended June 30, 2020. The decrease was due to the decrease in revenue and the increase of profitability for the titles that generated revenue for the three months ended June 30, 2020 compared to the three months ended June 30, 2019. The direct operating expenses are a function of revenue and profitability as the individual forecast method is used, which bases the proportion that the current year's revenue bears to the estimate of the ultimate revenue. The decrease also included one higher cost non-scripted TV show being delivered for the three months ended June 30, 2019.

***Distribution and marketing expenses***

Distribution and marketing expenses decreased by 84%, from $67.6 million for the three months ended June 30, 2019 to $10.9 million for the three months ended June 30, 2020. The decrease was due to a decrease in domestic theatrical releases as a result of the closure of theaters due to COVID-19 reducing the corresponding domestic marketing, distribution and releasing costs.

***General and administrative expenses***

General and administrative expenses increased by 10%, from $15.0 million for the three months ended June 30, 2019 to $16.4 million for the three months ended June 30, 2020. The increase was largely due to general and administrative expenses not being allocated as overhead to productions as the Company did not have any films in production due to Covid-19 shutting down of all production.

***Depreciation and amortization expenses***

Depreciation and amortization expenses decreased by 19%, from $540 thousand for the three months ended June 30, 2019 to $435 thousand for the three months ended June 30, 2020. The decrease was due to the increase in the number of fixed assets that are now fully depreciated.

***Restructuring Expenses***

Restructuring expenses represent the costs for lawyers, accountants and consultants to prepare for the merger of STX and Eros International Plc.

***(Loss) income from operations***

As a result of the foregoing, our loss from operations decreased from a loss from operations of $50.4 million for the three months ended June 30, 2019 to income from operations of $21.0 million for the three months ended June 30, 2020.

***Interest income***

Our interest income decreased by 100%, from $129 thousand for the three months ended June 30, 2019 to nil for the three months ended June 30, 2020. This decrease was due to a decrease in our interest-bearing investment accounts.

***Interest expense***

Our interest expense decreased by 7%, from $6.1 million for the three months ended June 30, 2019 to $5.7 million for the three months ended June 30, 2020. This decrease was due to lower debt balances in the revolving credit principal balance.

***Shareholder exit expense***

The shareholder exit expense decreased by 47%, from $9.5 million for the three months ended June 30, 2019 to $5.1 million for the three months ended June 30, 2020. The fair value is based on a number of assumptions, including the probability of conversion, the timing of the conversion and the Company's cost of capital. The probability of conversion increased, resulting in the increase of the fair value.

***(Loss)income before income taxes***

As a result of the foregoing, our loss before income taxes decreased by 115%, from $65.9 million for the three months ended June 30, 2019 to income before income taxes of $10.2 million for the three months ended June 30, 2020.

***Income tax provision***

Our income tax provision decreased by 18%, from $111 thousand for the three months ended June 30, 2019 to $90 thousand for the three months ended June 30, 2020. This decrease was primarily due to lower foreign withholding taxes on our lower international sales.

***Net (loss) income***

As a result of the above, our net loss for the period decreased by 115%, from a net loss of $66.0 million for the three months ended June 30, 2019 to net income of $10.2 million for the three months ended June 30, 2020.

**Non-GAAP Measures**

To supplement our consolidated financial statements, which are presented in accordance with U.S. GAAP, we also use EBITDA and free cash flow as additional financial measures, none of which is required by, or presented in accordance with, U.S. GAAP. We believe that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that free cash flow is a meaningful indicator regarding our liquidity and the cash generated from (or used in) operating activities available for the execution of our business strategy. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA and free cash flow may not be comparable to similarly titled measures presented by other companies. The use of these non-GAAP measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under U.S. GAAP.

We define EBITDA as net (loss) income, excluding income tax provision, interest expense, interest income, and depreciation and amortization. We define free cash flow as net cash used in operating activities, reduced by purchase of property and equipment, increased by term loan draw and revolving credit facilities draw and reduced by revolving credit facilities repayment. The tables below reconcile EBITDA to net (loss) income and free cash flow to net cash used in operating activities, which in each case are the most directly comparable GAAP financial measures.

| | For the Three Months Ended June 30, | |
|---|---|---|
| | **2019** | **2020** |
| | **(in thousands of dollars) (unaudited)** | |
| Net (loss) income | $ (66,039) | $ 10,156 |
| Income tax provision | 111 | 90 |
| Interest expense | 6,109 | 5,699 |
| Interest income | (129) | — |
| Depreciation and amortization | 540 | 435 |
| EBITDA | $ (59,408) | $ 16,380 |

| | For the Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (in thousands of dollars) (unaudited) | |
| Net cash (used in) provided by operating activities | $ (60,363) | $ 40,792 |
| Purchase of property and equipment | (148) | (76) |
| Term loan draw | — | 2,954 |
| Revolving credit facilities draw | 47,885 | 48,962 |
| Revolving credit facilities repayment | (72,217) | (62,570) |
| Free cash flow | $ (84,843) | $ 30,062 |

**Key Financial and Operating Metrics**

The following table sets forth our key financial and operating metrics for the periods indicated:

| | For the Three Months ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (Unaudited; Content investment and prints and advertising in millions of dollars) | |
| Revenue decrease | (7)% | (12)% |
| Content investment (1) | $ 51 | $ 6 |
| Distribution and marketing (2) | $ 68 | $ 11 |
| Produced films (3) | 1 | 1 |
| Total film releases (4) | 3 | 1 |

*(1) Capitalized film and TV costs, net of co-financing and government tax incentives.*
*(2) Consists of advertising and marketing expenses on our films in the territories where we directly distribute.*
*(3) Includes theatrical releases of films we produced or negative pickups in the United States.*
*(4) Includes all films we distributed.*

**Liquidity and Capital Resources**

We have historically funded our cash requirements principally from borrowings under our revolving credit facilities, borrowings under our term loan, and financing through issuance and sale of shares of our convertible redeemable preferred stock in private placement transactions. We are generally able to repay our borrowings under the revolving credit facilities with proceeds generated from the release of our films and other licensing arrangements. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, borrowings under our credit facilities and the net proceeds received from the sale of our A Ordinary Shares pursuant to an effective registration statement on Form F-3.

The following table sets forth our cash flows for the periods indicated:

| | For the Three Months ended June 30, | |
|---|---|---|
| | 2019 | 2020 |
| | (in thousands) (unaudited) | |
| Net cash (used in) provided by operating activities | $ (60,363) | $ 40,792 |
| Net cash used in investing activities | (148) | (76) |
| Net cash used in financing activities | (24,361) | (10,654) |
| Net (decrease) increase in cash and cash equivalents | (84,872) | 30,062 |
| Foreign exchange effects on cash | (45) | (11) |
| Cash and cash equivalents at beginning of period | 130,778 | 25,705 |
| Cash and cash equivalents at the end of the period | $ 45,861 | $ 55,756 |

**Net Cash Flows from Operating Activities**

Net cash used in operating activities primarily comprises our net (loss) income for the period adjusted by depreciation and amortization, stock compensation expense, distribution rights expense, amortization and write-off of film costs, amortization of debt discount and issuance costs, disposal of fixed assets, accrual of paid-in-kind interest and changes in operating assets and liabilities.

For the three months ended June 30, 2020, net cash provided by operating activities was $40.8 million, which was primarily based on our net income during the period of $10.2 million, adjusted for amortization of film and TV costs of $29.1 million.

**Net Cash Flows Used in Investing Activities**

Net cash used in investing activities consists of our purchase of property and equipment. During the three months ended June 30, 2020, we had net cash used investing activities of $76 thousand.

**Net Cash Flows from Financing Activities**

For the three months ended June 30, 2020, net cash used in financing activities was $10.7 million, which was primarily attributable to revolving credit facilities repayments, offset by revolving credit facilities draws.

**Indebtedness**

***Senior Credit Facility***

On October 7, 2016, STX, as the parent entity of STX Financing, LLC ("Borrower"), entered into that certain Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement (the "Original Senior Credit Agreement"; as amended by each of the Senior Amendments (as defined below), the "Senior Credit Facility") by and among STX, the Borrower, JPMorgan Chase Bank, N.A, as administrative agent and issuing bank (the "Senior Administrative Agent"), the lenders from time to time party thereto (the "Senior Lenders") and the guarantors referred to therein ("Senior Guarantors", together with the Borrower, the "Senior Credit Parties"). The Senior Credit Facility has been amended by that certain (i) Amendment No. 1 to Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of June 2, 2017 (the "First Senior Amendment"), (ii)

Amendment No. 2 to Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of October 4, 2017 (the “Second Senior Amendment”), (iii) Waiver and Amendment No. 3 to Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of February 22, 2018 (the “Third Senior Amendment”), (iv) Waiver and Amendment No. 4 to Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of February 11, 2019 (the “Fourth Senior Amendment”), (v) Consent and Amendment No. 5 to Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of January 30, 2020 (the “Fifth Senior Amendment”), and (vi) Consent and Amendment No. 6 to Second Amended and Restated Credit, Security, Guaranty and Pledge Agreement dated as of April 17, 2020 (the “Sixth Senior Amendment,” together with the First Senior Amendment, Second Senior Amendment, Third Senior Amendment, Fourth Senior Amendment, Fifth Senior Amendment, Sixth Senior Amendment, and the Seventh Senior Amendment, the “Senior Amendments”).

Pursuant to the Senior Credit Facility, the Borrower may borrow up to $350.0 million from the Senior Lenders on a revolving basis. All advances are subject to a borrowing base determined by a variety of the Credit Parties’ assets and secured by substantially all of the Credit Parties’ assets. The Borrower may borrow up to an additional $250.0 million, subject to certain conditions, as set forth in the Senior Credit Facility. The incremental amounts are issued on the same terms as the existing Senior Credit Facility.

Repayments of all outstanding balances and interest will be due on October 7, 2021. For LIBOR loans, the interest is equal to 3.00% plus the LIBOR rate. We are required to pay a commitment fee at an annual rate of 0.75% if credit exposure is less than 50.00% of total commitments and 0.50% if credit exposure is more than 50.00% of the undrawn amounts.

The Senior Credit Facility includes certain covenants, which we believe are in line with like transactions across the industry, including limitations on our ability to incur additional indebtedness, incur liens, provide guaranties, make certain investments, pay dividends or make other restricted payments, sell or discount receivables, enter into sale and leaseback or soft dollar transactions, make capital expenditures above an annual cap and enter into certain transactions with affiliates. See “Part I—Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry— Covenants in the instruments governing our and our subsidiaries’ existing indebtedness may limit our operational flexibility, including our ability to incur additional debt” in our Transition Report on Form 20-F submitted to the SEC on October 30, 2020, as amended by our Report on Form 20-F/A, submitted to the SEC on November 3, 2020, for a more detailed description of these covenants. The covenants contained in our credit facilities are consistent with market practice for comparable transactions for companies operating in the same industry as us. The covenants are sized in such a manner that they allow us to operate in a manner consistent with its historical practice as well as near-term expectations. To the extent we need to engage in any activity that is restricted under our covenants, we must seek approval from our lenders. We have done this on multiple occasions when, for example, we have needed incremental capacity to fund overhead. To date, we have been successful in obtaining such approvals when needed. At this time, we are in compliance with each covenant under our credit facilities.

As of June 30, 2020, $217 million has been drawn on the Senior Credit Facility, and the remaining $133 million of the $350 million facility was unutilized (limited by an asset-based borrowing base covenant). This unutilized capacity as of June 30, 2020 does not include the increase in commitments of up to $250 million that is permitted under the circumstances described above. At this time, we were in compliance with each covenant under our credit facilities. The effective interest rate is 4.52% as of June 30, 2020.

***Mezzanine Facility***

On October 7, 2016, STX, as the parent entity of Borrower, entered into that certain Second Amended and Restated Subordinated Credit, Security, Guaranty and Pledge Agreement (the “Original Subordinated Credit Agreement”; as amended by each of the Subordinated Amendments (as defined below), the “Mezzanine Facility”) by and among the STX, the Borrower, Red Fish Blue Fish, LLC, as administrative agent (the “Subordinated Administrative Agent”), the lenders from time to time party thereto (the “Subordinated Lenders”) and the guarantors referred to therein (the “Subordinated Guarantors”, together with the Borrower, the “Subordinated Credit Parties”). The Mezzanine Facility has been amended by that certain (i) Amendment No. 1 to Second Amended and Restated Credit Agreement dated as of March 2, 2018 (the “First Subordinated Amendment”), (ii) Consent and Amendment No. 2 to Second Amended and Restated Subordinated Credit Agreement dated as of February 11, 2019 (the “Second Subordinated Amendment”) and (iii) Consent and Amendment No. 3 to Second Amended and Restated Credit Agreement dated as of April 17, 2020 (the “Third Subordinated Amendment”, together with the First Subordinated Amendment and Second Subordinated Amendment, the “Subordinated Amendments”).

Pursuant to the Mezzanine Facility, the Borrower borrowed a term loan in the amount of $35,210,000 (the “Subordinated Loans”) from the Subordinated Lenders. On or around July 30, 2020 Borrower prepaid the Obligations under and as defined in the Mezzanine Facility in an amount equal to $21.5 million. Pursuant to the terms of the Third Subordinated Amendment, STX has agreed to use its commercially reasonable efforts to cause the remainder of all of the amounts outstanding under the Mezzanine Facility to be fully repaid in cash concurrently with any subsequent renewal, refinancing, repayment, forgiveness, replacement or termination of the Senior Credit Facility.

The obligations under the Mezzanine Facility are secured by substantially all of the Credit Parties’ assets, but subordinated in right of payment and collateral to the obligations under the Senior Credit Agreement. There is no incremental capacity under the Mezzanine Facility.

The maturity date of the Mezzanine Facility is July 7, 2022. Amounts borrowed under the Mezzanine Facility accrue interest at an annual fixed rate of 11.0%. The interest rate applicable to the Subordinated Loans shall be payable on each Interest Payment Date (as defined in the Mezzanine Facility), on the maturity date of the Mezzanine Facility and on the date of any prepayment thereunder as follows: (i) in cash in an amount equal to 9.0% per annum; plus (ii) in kind in an amount equal to 2.0% per annum by adding an amount equal to such unpaid interest to the principal amount of the Subordinated Loans.

The Mezzanine Facility includes certain covenants, which are comparable to transactions involving companies operating in the Borrower’s industry, including limitations on our ability to incur additional indebtedness, incur liens, provide guaranties, make certain investments, pay dividends or make other restricted payments, sell or discount receivables, enter into sale and leaseback or soft dollar transactions, make capital expenditures above an annual cap and enter into certain transactions with affiliates. See “Part I—Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry— Covenants in the instruments governing our and our subsidiaries’ existing indebtedness may limit our operational flexibility, including our ability to incur additional debt” in our Transition Report on Form 20-F submitted to the SEC on October 30, 2020, as amended by our Report on Form 20-F/A, submitted to the SEC on November 3, 2020, for a more detailed description of these covenants.

As of June 30, 2020, $38 million remained outstanding under the Mezzanine Facility and there was no unused capacity. The Mezzanine Facility is set to mature on July 7, 2022.

***Paycheck Protection Program***

On April 4, 2020, The Company was granted a loan from JPMorgan Chase Bank, N.A. in the aggregate amount of $2.9 million at an interest rate of 0.98% per annum, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act which was enacted March 27, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses. The Company intends to use the entire loan amount for purposes consistent with the PPP. Repayment date is not known at this time. The Company anticipates the loan to be fully forgiven.

The following table sets forth the indebtedness described above and related discount and debt issuance costs as of the dates indicated:

| | As of June 30, 2019 | As of June 30, 2020 |
|---|---|---|
| | (in thousands) (unaudited) | |
| **Revolving credit facilities:** | | |
| Senior Credit Facility | $ 236,450 | $ 216,761 |
| Prints and Advertising Facility (1) | 10,000 | — |
| Debt issuance costs | (6,797) | (3,194) |
| Revolving credit facilities | $ 239,653 | $ 213,567 |
| **Term loans:** | | |
| Term loans (2) | 35,210 | 38,164 |
| Interest paid in kind | 7,007 | 7,857 |
| Debt discount | (465) | (310) |
| Debt issuance costs | (266) | (177) |
| Term loans, net | 41,486 | 45,534 |
| Total debt | $ 281,139 | $ 259,101 |

(1) The Prints and Advertising Facility was terminated and repaid in full in January 2020.
(2) The balance at June 30, 2019 includes the Mezzanine Facility and Aperture Term Loan, which was terminated and repaid in full in May 2019. The balance at June 30, 2020 includes the Mezzanine Facility and the Paycheck Protection Program loan received in April 2020.

As of June 30, 2020, we have a total of $133 million in unutilized debt capacity ($216.7 million of which is subject to an asset-based borrowing base covenant under our Senior Credit Facility). This amount does not include the increase in commitments of up to $250 million that is permitted under the Senior Credit Facility under the circumstances described above.

Our secured bank loans are secured by substantially all of our assets. As of June 30, 2020, we are not in breach of any of the covenants of the loans.

As of June 30, 2020, we had long-term borrowings of $256.1 million.

Other than in the ordinary course of business as discussed under "Business—Our Business Model—Films—Film Project Financing—Loans," in our Transition Report on Form 20-F, submitted to the SEC on October 30, 2020, as amended by our Report on Form 20-F/A, submitted to the SEC on November 3, 2020, and except as described above, since June 30, 2020, there has been no material change in our indebtedness.

Except as discussed above, and apart from normal trade and other payables in the ordinary course of business, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of close of business on the latest practicable date.

The Senior Credit Facility matures on October 7, 2021. The maturity of the Senior Credit Facility now falls within the twelve-month period following the issuance of the June 30, 2020 STX financial statements for which STX is required to evaluate as part of its assessment its ability to continue as a going concern. Management believes that STX has adequate liquidity to fund its operations up until the maturity of the Senior Credit Facility. Management of the Company is optimistic that the revolving credit facility will be refinanced prior to the credit facility maturity date. For additional information, see Note 1 and Note 3 to the audited Consolidated Financial Statements included in our Transition Report on Form 20-F, submitted to the SEC on October 30, 2020, as amended by our Report on Form 20-F/A, submitted to the SEC on November 3, 2020.

**Off-Balance Sheet Commitments and Arrangements**

As of June 30, 2020, we have not entered into any off-balance sheet arrangements.

**Qualitative and Quantitative Disclosure About Market Risk**

We are exposed to a variety of financial risks, including market risks (such as interest rate risk and foreign currency risk), credit risk and liquidity risk.

***Interest Rate Risk***

Our exposure to the risk of changes in market interest rates relates primarily to our debt obligations with a floating interest rate.

Our policy is to manage our interest cost using a mix of fixed and variable rate debts by analyzing our interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternate financing. Based on these scenarios, we manage our mix of fixed and variable rate debts by taking advantage of the most favorable rates and expected cash flows. As of June 30, 2020, approximately 17% of our interest-bearing loans bore interest at fixed rates.

The following table presents our financial instruments that are sensitive to changes in interest rates. The table also presents the cash flows of the principal amounts of the financial instruments with the related weighted average interest rates by expected maturities or required principal payment dates and the fair value of the instruments as of June 30, 2020:

| | 2020 | 2021 | 2022 | 2023 | Future Total | Fair Value June 30, 2020 |
|---|---|---|---|---|---|---|
| | (in thousands of dollars, unaudited) | | | | | |
| **Variable Rates** | | | | | | |
| Senior Credit Facility (1) | $ — | $ — | $ 216,761 | $ — | $ 216,761 | $ 216,761 |
| *Average Interest Rate* | 4.52% | | | | | |
| **Fixed Rates** | | | | | | |
| Mezzanine Facility (2) | — | — | — | 43,068 | 43,068 | 44,102 |
| *Average Interest Rate* | 12.50% | | | | | |
| **PPP Loan** | — | — | | | 2,954 | 2,954 |
| *Average Interest Rate* | 0.98% | | | | | |
| **Total** | $ — | $ — | $ 216,761 | $ 43,068 | $ 262,783 | $ 263,817 |

(1) The Senior Credit Facility matures October 7, 2021 and bears interest at a rate equal to 3.00% plus LIBOR for LIBOR loans. The current capacity is $350 million which can be increased by up to $250 million. We are required to pay a commitment fee at an annual rate of 0.75% if the credit exposure is less than 50% of total commitments, and 0.50% if credit exposure is more than 50% of the undrawn amounts.
(2) The Mezzanine Facility matures on July 7, 2022. We are required to pay interest at an annual rate of 11.0% (9.0% in cash and 2.0% in kind).

Assuming the Senior Credit Facility outstanding balance and the applicable LIBOR in effect as of June 30, 2020, a quarter point change in interest rates would result in a $556 thousand change in annual interest expense.

***Foreign Currency Risk***

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

In the three months ended June 30, 2020, we recognized foreign currency translation gain of $29 thousand.

As of June 30, 2020, the Company had the following outstanding forward foreign exchange contracts (with maturity less than six months):

| Foreign Currency | Foreign Currency Amount | | US Dollar Amount | Weighted Average Exchange Rate Per USD |
|---|---|---|---|---|
| Canadian Dollar | 5,595 | in exchange for | $4,056 | $1.35 |

The loss capitalized to productions and loss recognized in the consolidated statement of operations for the three months ended June 30, 2020 related to foreign currency derivatives was immaterial.

***Liquidity Risk***

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and other interest-bearing loans.

**Safe Harbor**

See "Special Note Regarding Forward-Looking Statements" in this Report of Foreign Private Issuer on Form 6-K, submitted to the SEC on December 16, 2020.