Value Line®

# 2020
## ANNUAL REPORT

# Value Line 2020 Annual Report


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# Chairman's Letter

To Our Shareholders:

I am excited to report to you that in Fiscal 2020 your Company's Net Income of $15,663,000 or $1.62 per share was 40.5% above Net Income of $11,150,000 or $1.15 per share for Fiscal 2019, the twelve months that ended April 30, 2019.

Income from Operations of $9,090,000 was 67.9% above Income from Operations of $5,413,000 during the twelve months ended April 30, 2019.

In addition, Retained Earnings increased by 16% from $48.6 million to $56.5 million, after paying dividends of $7.7 million in Fiscal 2020.

Including dividends, which were increased by your Board of Directors from 80 cents per share to 84 cents per share annually, shareholders enjoyed a total return for the year of 36.8%.

Contributing to our success were Copyright Fees, which reached a new record of $12.7 million in Fiscal 2020 – representing an increase of 70.4% over the previous year, and Revenues and Profits earned by the Company from our nonvoting revenues and profits interests in EULAV Asset Management, adviser to the Value Line Family of Mutual Funds, reached an annual high of $12,350,000, or 32.7% more than the year before.

Expense control also remained a priority, contributing to the Fiscal Year's 67.9% increase in Operating Income.

Thousands of new customers began with us, entering our subscriber family through our *Value Line 600* service and others, including new publications we introduced. These new services for investors include the new *Information You Should Know Wealth Newsletter*, a quick read that brings key, usable information to forward-looking investors. We also brought to market *The New Value Line ETFs Service*, a completely new, interactive digital service for people interested in Exchange-Traded Funds, currently the fastest growing vehicle for investors in equities and bonds.

Challenges remain in the year ahead, including not only the flood of free information from many sources but of course the ongoing COVID-19 situation. We continued to publish each issue of our services on time in Fiscal 2020 despite such unique challenges. For this, we are grateful for the commitment of our subscribers, employees, suppliers, shareholders, and others.

Our strategy will remain to offer top quality information and analysis to serious investors, in a widening variety of formats.

Now, in our 90th year of business since our founding by Arnold Bernhard, the "Dean of Wall Street," Value Line continues to provide services highly valued by individual investors, government agencies, academic and municipal libraries, professional advisors and money managers responsible for billions of dollars of investors' assets.

We are grateful for the opportunity to serve both our subscribers and our shareholders. Rest assured that we will do our best to grow earnings and dividends again this year.

Sincerely,

Howard A. Brecher
*Chairman and Chief Executive Officer*

# FY2020 Financial Highlights

## Ten-year Operating Results

($ in thousands except per share amounts)

| Revenues | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 (1) |
|---|---|---|---|---|---|---|---|---|---|---|
| Investment periodicals and related publications | $27,628 | $28,820 | $29,503 | $30,168 | $31,925 | $32,676 | $33,598 | $31,940 | $33,018 | $34,406 |
| Copyright fees | 12,671 | 7,437 | 6,365 | 4,406 | 2,621 | 2,847 | 2,733 | 3,900 | 3,591 | 3,568 |
| Investment management fees and services | - | — | — | — | — | — | — | — | — | 10,693 |
| Total publishing revenues | $ 40,299 | $ 36,257 | $ 35,868 | $ 34,574 | $ 34,546 | $ 35,523 | $ 36,331 | $ 35,840 | $ 36,609 | $ 48,667 |
| Gain on sale of operating facility | — | — | — | 8,123 | — | — | — | — | — | — |
| **Total revenues** | $ 40,299 | $ 36,257 | $ 35,868 | $ 42,697 | $ 34,546 | $ 35,523 | $ 36,331 | $ 35,840 | $ 36,609 | $ 48,667 |
| Depreciation and amortization | 266 | 368 | 1,125 | 4,623 | 3,817 | 2,715 | 2,085 | 1,552 | 724 | 593 |
| **Income from operations** | 9,090 | 5,413 | 2,572 | 7,459 | 1,880 | 2,399 | 2,501 | 4,120 | 5,338 | 8,533 |
| Gain from deconsolidation of subsidiaries | — | — | — | — | — | — | — | — | — | 50,510 |
| Revenues and profits interests in EAM Trust | 12,350 | 9,309 | 8,786 | 7,714 | 7,651 | 7,970 | 7,499 | 6,260 | 5,890 | 2,355 |
| **Net Income** | $ 15,663 | $ 11,150 | $ 14,738 | $ 10,367 | $ 7,291 | $ 7,292 | $ 6,768 | $ 6,619 | $ 6,925 | $ 37,782 |
| **Earnings per share, basic & fully diluted** | $1.62 | $1.15 | $1.52 | $1.07 | $0.75 | $0.74 | $0.69 | $0.67 | $0.70 | $3.79 |
| Capital equipment and software expenditures | 2 | 122 | 408 | 1,684 | 1,962 | 2,544 | 2,687 | 2,788 | 3,431 | 1,907 |
| EBITDA(2) | $ 21,706 | $ 15,090 | $ 12,483 | $ 19,796 | $ 13,348 | $ 13,084 | $ 12,085 | $ 11,932 | $ 11,952 | $ 11,481 |
| EBITDA — percent of total revenues | 54% | 42% | 35% | 57% | 39% | 37% | 33% | 33% | 33% | 24% |
| Net profit margin | 39% | 31% | 41% | 24% | 21% | 21% | 19% | 18% | 19% | 78% |
| Operating profit margin | 23% | 15% | 7% | 17% | 5% | 7% | 7% | 11% | 15% | 18% |

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations"—"Asset Management and Mutual Fund Distribution Businesses".

(2) Non-GAAP financial measures: Earnings before interest, taxes, depreciation and amortization (EBITDA), includes income from operations before depreciation and amortization plus revenues and profits interest in EAM Trust. These financial measures are not calculated in accordance with generally accepted accounting principles (GAAP) and are not based on any comprehensive set of accounting rules or principles. Management believes these non-GAAP financial measures provide a useful measure of the Company's financial results and comparison to historical results.

## Financial Condition

($ in thousands)

| | April, 2020 | April, 2019 |
|---|---|---|
| Cash and short term securities at market value | $34,158 | $28,321 |
| Working capital including cash and securities at market value (including a reduction for unearned revenues classified as current liabilities of $18,854 and $20,008, in fiscal 2020 and 2019, respectively) | $13,700 | $6,014 |
| Total assets | $109,728 | $91,788 |
| Unearned revenue | $24,738 | $25,483 |
| Shareholders' equity | $53,539 | $47,524 |

## Condensed Quarterly Results (unaudited)

($ in thousands except per share amounts)

| | 2020, by quarter | | | | |
|---|---|---|---|---|---|
| | July 31, 2019 Third | October 31, 2019 Fourth | January 31, 2020 Third | April 30, 2020 Fourth | FY 2020 Total |
| Total revenues | $9,617 | $10,080 | $10,803 | $9,799 | $40,299 |
| Income from operations | $2,025 | $2,629 | $3,129 | $1,307 | $9,090 |
| Revenues and profits interests in EAM Trust | $2,871 | $3,058 | $3,455 | $2,966 | $12,350 |
| Income from securities transactions, net* | $141 | $143 | $167 | $(407) | $44 |
| Net Income | $3,690 | $4,211 | $4,952 | $2,810 | $15,663 |
| Earnings per share, basic and fully diluted | $0.38 | $0.44 | $0.51 | $0.29 | $1.62 |
| Net profit margin | 38% | 42% | 46% | 29% | 39% |

| | 2019, by quarter | | | | |
|---|---|---|---|---|---|
| | July 31, 2018 First | October 31, 2018 Second | January 31, 2019 Third | April 30, 2019 Fourth | FY 2019 Total |
| Total revenues | $8,971 | $9,051 | $9,052 | $9,183 | $36,257 |
| Income from operations | $1,270 | $1,760 | $1,413 | $970 | $5,413 |
| Revenues and profits interests in EAM Trust | $2,271 | $2,384 | $2,210 | $2,444 | $9,309 |
| Income from securities transactions, net | $114 | $123 | $140 | $127 | $504 |
| Net Income | $3,104 | $3,302 | $2,451 | $2,293 | $11,150 |
| Earnings per share, basic and fully diluted | $0.32 | $0.34 | $0.25 | $0.24 | $1.15 |
| Net profit margin | 35% | 36% | 27% | 25% | 31% |

*During the fourth quarter of fiscal 2020, the company recognized $581,000 of capital losses on securities available for sale as part of a tax loss harvesting strategy.

# Value Line Services

## PRINT SERVICES

### The Value Line Investment Survey®

For more than 88 years, Value Line has provided subscribers with unbiased equity research through its flagship publication, *The Value Line Investment Survey*. A lot has happened in those years, including both raging bull markets and unrelenting bear markets. Presently, the Survey is guiding investors through turbulent markets resulting from the coronavirus pandemic and the related economic recession.

At the core of *The Value Line Investment Survey* are the individual research reports that our team of experienced equity analysts and quantitative staff create each week. We cover approximately 1,700 stocks across nearly 100 industries. Each stock is reviewed quarterly with a full research report and, when warranted, with Supplementary Reports, if important events take place between regular quarterly updates. Value Line reports are unbiased because we have no banking or brokerage operations. Our company does not benefit from any trades a reader may make. Moreover, our ethical guidelines dictate that our analysts cannot own the stocks of the companies that they cover.

Each one-page research report contains a summary of the company's business facts (blurb), up to 17 years of historical financial data and our proprietary Ranks, to guide subscribers in making sound investment decisions. We don't simply report numbers, we analyze them. This is an important distinction between our publications and those available as "free" services, which may simply take publicly available information and put it online without adding any original thinking or analysis.

In addition to analyzing a company's financial statements, our analysts develop proprietary financial estimates. Those projections are used to calculate an expected range for the company's stock price, and with that information potential total return figures are provided so subscribers can make an informed decision about a company's future. Backing all of this up is a thorough review of the company's recent history and current situation, as reported in the company's SEC filings, and a narrative of what our analyst thinks of its prospects. As noted above, if something should occur between regularly scheduled coverage dates that materially changes our expectations, a Supplementary Report is published.

In addition to the individual company reports, which are contained in the *Ratings & Reports* section of the publication, subscribers receive a *Summary & Index* and a weekly *Selection & Opinion* section. The *Summary & Index* contains the latest ranks and key statistics on all of the companies covered by the *Survey*, which ensures that subscribers have the updated ranks and statistics. There is also a varied collection of screens in the Index that helps provide subscribers with a quick and easy starting point for picking stocks that fit their selection criteria. Each year we strive to make the publication better.

The *Selection & Opinion* section gives subscribers a broad-based view of the stock market and the economy in narrative form and through an array of informative charts. Also contained in this section of the service are four Model Portfolios, covering multiple investment approaches.

Subscribers to *The Value Line Investment Survey* also receive, via email, a weekly newsletter that is delivered each Monday around 8:00 am Eastern Time. It includes substantive, analyst-generated content.

Value Line's rich history and strong commitment to independence are at the heart of our offerings as we maintain our standards of excellence and thoroughness.

### The Value Line 600

Although many of our subscribers enjoy the comprehensive information available in *The Value Line Investment Survey*, we know from customer feedback that some have found that they prefer a monthly service rather than a weekly. With this in mind, we created *The Value Line 600* to serve the needs of customers who want in-depth, independent research on primarily larger and more prominent companies. *The Value Line 600* is a monthly publication that details a select group of about 600 of the approximately 1,700 companies that comprise *The Value Line Investment Survey*.

The 600 company reports included in this service are a smaller selection of the same full-page reports that are published in

*The Value Line Investment Survey*. Our main goal is to provide our subscribers with a full spectrum of companies, while scaling back the total number. We attempt to highlight most industries with at least two of the more significant companies in each industry, helping investors to concentrate on those companies that tend to drive their respective industries. In addition to the most well-known U.S. companies, including all of the Dow 30 members, almost 100 prominent international entities are tracked in *The Value Line 600*. A *Summary & Index* section is also included with each issue that contains updated company statistics, screens, and Supplementary Reports. The available online 600 service provides many of our updates with greater frequency than the monthly print service. Print and online *600* subscribers also receive a Model Portfolio via a weekly email newsletter, which is also included in the monthly print edition.

## Value Line Select®

Every month, the Value Line Research Department thoroughly reviews and evaluates the stocks tracked in *The Value Line Investment Survey* and selects one stock to have the best total return potential, taking into account both risk and reward. *Select* is designed to help investors build and manage a portfolio of stocks in established companies that are expected to outperform the broader market over the near and long term, without taking on undue risk. The Research Department then creates a 15- to 20-page report highlighting the stock for this service's subscribers.

This extensive report clearly explains why we are highlighting this single stock above all others. The report summarizes the company's fundamentals, articulates what the current growth opportunity is, and contains an estimate of how much an investor stands to earn if he or she purchases the stock. We examine the company's strategy for success, as well as how management intends to overcome the inevitable challenges it will face. We include all pertinent historical background and financial information about the company, including a comprehensive look at its finances, and a review of historical data and projected sales and earnings.

Once a stock is highlighted, we keep investors abreast of developments through Supplementary Reports. If a company is removed from our Select coverage, subscribers are informed of this decision immediately via telephone or e-mail. The content of our *Select* reports is also available online for subscribers, so they can access the most up-to-date Supplementary Reports.

*Value Line Select* is available online and in print.

## Value Line Select: Dividend Income & Growth

*Value Line Select: Dividend Income & Growth*, a monthly publication available online and in print, was introduced in June 2011. Each month, similar to *Value Line Select*, the Value Line Research Department reviews the coverage universe of *The Value Line Investment Survey*, and selects the stock that appears to have the best dividend income and growth potential. The Research Department targets companies that have consistently increased their dividends and, based on Value Line analysis, have the financial strength both to support and increase dividend payments in the future. In addition, each month, one alternative stock is recommended with a thorough analysis explaining our reasoning. The Editor creates a 20- to 25-page report highlighting the stocks for this product's subscribers. Supplementary Reports are provided by e-mail to subscribers and posted online. Sell alerts are communicated by telephone or e-mail.

## Value Line Select: ETFs

In fiscal 2018, we launched *Value Line Select: ETFs*, a monthly ETF selection service. This product focuses on ETFs that appear poised to outperform the broader market. The selection process utilizes an industry approach, with the same data-focused analysis that is the hallmark of Value Line.

## The Value Line Investment Survey — Small & Mid-Cap

*The Value Line Investment Survey — Small & Mid-Cap*, available weekly online and in print, provides coverage on approximately 1,700 companies, most having market capitalizations of less than $5 billion. Investors find this publication, introduced more than 20 years ago, an excellent source of information about companies that are generally not widely followed on Wall Street because of their smaller size. It is also a valuable companion to *The Value Line Investment Survey*, following roughly the same publication schedule and industry focus. It uses a 1-to-5 Ranking System paralleling that of the *Investment Survey*. Each company report contains considerable historical financial data (up to nine years), a business description, consensus quarterly and annual earnings estimates when available, and a stock price chart with monthly share volumes. Every report is updated quarterly. When important news occurs between regularly scheduled coverage, Supplementary Reports are created and provided to subscribers with the regular weekly issue.

Each issue also includes an Index that contains the latest financial statistics and stock ranks on the equities covered in this service. It also provides screens that are useful for investors seeking new ideas and two Model Portfolios.

### The Value Line Fund Advisor Plus

Subscribers to *The Value Line Fund Advisor Plus* have access to monthly reports covering some 20,000 equity and bond funds. Online, these reports are updated nightly, as soon as the latest data are received. *Fund Advisor Plus* subscribers also receive the printed monthly *Value Line Fund Advisor Plus*. Screening tools are available to subscribers through the website to help sort through the large universe of funds that are available.

The keystone of the product is The Value Line Mutual Fund Ranking System. The fund ranking system uses a one-to-five scale, like our systems for ranking equities, with one being the best possible rank for expected risk-adjusted performance and five the worst. The Value Line Mutual Fund Ranking System is also provided as part of our software product: The Value Line Mutual Fund Data File. This same Mutual Fund Ranking System is also included in the mutual fund section of *The Value Line Research Center*.

*The Fund Advisor* was replaced by *The Value Line Fund Advisor Plus*, which contains data on more than 20,000 no-load and low-load funds and a new digital screener. The new screener offers additional fields (about a dozen more) and functionality. For example, all subscribers can now export data from our service to their own computers.

### The Value Line Special Situations Service

*The Value Line Special Situations Service* is a monthly publication devoted to small- and mid-cap companies that may have been overlooked by Wall Street. This service provides subscribers with recommendations and in-depth follow-through research coverage on about 40-50 equities. It is available in print and digital (online) versions. Each issue features a new aggressive recommendation, a new conservative recommendation, and updates of previously recommended companies.

We also publish two model portfolios. Our aggressive model portfolio is comprised of companies that have strong growth potential. They can be start-up firms that are developing innovative products or services that have yet to turn a profit, or established organizations that stand to benefit from new or revised products or services, acquisitions, a restructuring, or changing economic conditions. Companies in this portfolio often reside in the biotech, medical device, software, and technology industries. Each new aggressive and conservative recommendation is then added to the aggressive and conservative model portfolios. The manufacturing, retail, and service sectors are also represented. Conservative model portfolio selections are financially sound companies that typically operate in more stable sectors of the economy. They often have a track record of steady, sustained growth, and may pay regular dividends. At times, their shares may be trading at depressed valuation levels. Included with each new selection is a comprehensive report detailing its business, its projected growth potential over the next three to five years, and a full page of historical financial data, displayed using the *Small & Mid-Cap* report format.

Each issue provides updates of six to seven companies that are contained in one of the model portfolios. The updates discuss recent developments and financial performance, and include our current long-term price target and opinion on the stock.

## DIGITAL SERVICES

### The Value Line Investment Analyzer

*The Value Line Investment Analyzer* is a desktop-based program that provides subscribers access to every aspect of The Value Line Investment Survey, but with additional functionality. Functions include creation of complex screens, and subscriber-selected data fields. This product is geared toward subscribers who want to take Value Line's research and then drill down further on their own.

### The Value Line Investment Survey — Smart Investor

*The Value Line Investment Survey — Smart Investor* offers digital access to full page reports, analyst commentary and Value Line proprietary ranks on approximately 1,700 stocks. Online tools include screener, alerts, watchlists and charting. Print capabilities are included.

### The Value Line Investment Survey — Savvy Investor

*The Value Line Investment Survey — Savvy Investor* offers digital access to full page reports, and Value Line proprietary ranks on approximately 3,400 stocks. Online tools include a screener, alerts, watchlists and charting. Print capabilities are included.

### The Value Line Investment Survey — Small-Cap Investor

*The Value Line Investment Survey — Small Cap Investor* offers digital access to full page reports, and Value Line proprietary ranks on approximately 1,700 stocks. One year of history is included. Online tools include a screener, alerts, watchlists and charting. Print capabilities are included.

### The Value Line Investment Survey — Investor 600

*The Value Line Investment Survey — Investor 600*, equivalent to *The Value Line 600* print, offers digital access to full page reports, analyst commentary and Value Line proprietary ranks on approximately 600 selected stocks covering the same variety of industries as *The Value Line Investment Survey*. Online tools include a screener, alerts, watchlists and charting. Print capabilities are included.

### Value Line Pro Basic

*Value Line Pro Basic* digital service covers the 1,700 stocks included in *The Value Line Investment Survey*, drawn from nearly 100 industries, representing about 90% of total U.S. trading volume. There are more than 200 data fields that can be screened to help make informed decisions. Features of the service include three years of historical reports and data, customizable modules, watchlists, charting, alerts, and screening.

### Value Line Pro Premium

*Value Line Pro Premium* digital service includes *The Value Line Investment Survey* and *The Value Line Investment Survey® — Small & Mid-Cap*. This equity package monitors approximately 3,400 companies with market values ranging from less than $100 million to well over $500 billion, across nearly 100 industries, representing about 95% of the market capitalization of all stocks traded in U.S. markets. There are more than 250 data fields that can be screened to help make informed decisions. Features of the service include three years of historical reports and data, customizable modules, alerts, and screening.

### Value Line Pro Elite

*Value Line Pro Elite* digital service includes *The Value Line Investment Survey* and *The Value Line Investment Survey — Small & Mid-Cap* plus an expanded database of more than 2,000 additional companies. There are over 250 data fields that can be screened to help make informed decisions. Features of the service include five years of historical reports and data, customizable modules, alerts, and screening.

### Value Line Library Basic

*Value Line Library Basic* covers the 1,700 stocks included in *The Value Line Investment Survey*, drawn from nearly 100 industries, representing 90% of total U.S. daily trading volume, and includes one year of fully-detailed history. There are more than 200 data fields to help local library patrons and university students make more informed decisions.

### Value Line Library Elite

*Value Line Library Elite* offers libraries digital access to full reports, analyst commentary and Value Line proprietary ranks on approximately 3,400 stocks, along with one year of fully-detailed history. Online tools include a screener, and charting. Print capabilities are included.

### The Value Line Research Center

*The Value Line Research Center* provides online access to selected Company investment research products covering stocks, mutual funds, options as well as special situation stocks. This service includes full online subscriptions to *The Value Line Investment Survey*, *The Value Line Investment Survey — Small & Mid-Cap*, *The Value Line Fund Advisor Plus*, *The Value Line Daily Options Survey*, *The New Value Line ETFs Service*, and *The Value Line Special Situations Service*. Users can screen extensive data fields, create graphs using multiple different variables, and access trading history. *The Value Line Research Center* has the ability to track customer-created portfolios (large, small, and mid-cap), as well as to provide ranks and analyst commentary. It is a top-shelf service providing a wide range of content to professional clients and the most sophisticated private investors.

### The Value Line Pro Equity Research Center

*The Value Line Pro Equity Research Center* is an equities-only package that includes access to exclusive premium services and provides online access to all of Value Line's equity products. This service includes full online subscriptions to *The Value Line Investment Survey*, *The Value Line Investment Survey — Small & Mid-Cap*, *Value Line Select*, *Value Line Select: Dividend Income & Growth*, and *The Value Line Special Situations Service*. *The Value Line Pro Equity Research Center* has the ability to track customer-created portfolios, as well as providing ranks and analyst commentary. This high end service zeroes in on the needs of equities specialists.

### The Value Line Fund Advisor Plus

Our most comprehensive coverage of mutual funds is found in the digital *Fund Advisor Plus* service. Reports on some 20,000 funds are updated nightly as information is received. Full screening capabilities are provided with this digital service.

### The Value Line Options Survey

*The Value Line Options Survey* is a daily digital service that evaluates and ranks approximately 200,000 U.S. equity and index options. Features include an interactive database, spreadsheet tools, and a weekly e-mail newsletter. This product is only offered as an online subscription due to the volatility in the pricing of options.

### The New Value Line ETFs Service

In September 2019, we introduced *The New Value Line ETFs Service*. This online-only product provides data, analysis, and screening capabilities on more than 2,700 publicly traded ETFs. Almost all of the ETFs tracked in the product are ranked by The Value Line ETF Ranking System, a proprietary estimate with the goal of predicting an ETF's future performance relative to all other ranked ETFs. The screener includes more than 30 fields, and each ETF has its own full PDF report. All data and information can be downloaded, exported, and printed.

### Value Line Information You Should Know Wealth Newsletter

This is a monthly service that started with January 2020. It is a general interest publication focusing on useful and actionable investing and financial information. It is a succinct 4 page newsletter covering topics such as. "How Can I Avoid Probate? And Should I?", "How to Handle Your Investments in a Bear Market". It is available as a print product or as a PDF delivered via email. The newsletter is marketed via a variety of channels including as an add-on in select direct mail campaigns and email.

## VALUE LINE INSTITUTIONAL SERVICES

Value Line's Institutional Services Department handles the research needs of our professional, corporate, government, and library customers located throughout the world. From universities in London to investment managers in Shanghai to public libraries in San Francisco, the Institutional Department is responsible for the sale of Value Line's proprietary institutional research and data products and maintains our business relationships with these customers.

In Fiscal 2020 the Institutional Department successfully continued to focus on customer engagement while seeking new opportunities to grow the subscriber base. The Value Line Professional brand is promoted around the country as our Sales Executives travel to leading industry conferences. The Department has continued to engage Professional and Library prospects around the globe by enhancing our visitor experience on the web at our two online destinations, www.valuelinepro.com and www.valuelinelibrary.com.

### Value Line Website

### www.valueline.com

Our website, www.valueline.com, is the online face of Value Line for individual investors, serving as the entry point to our digital products for subscribers and a marketing hub for potential customers. Prospective subscribers and visitors to www.valueline.com are presented with original content written by our analysts showcasing Value Line's research knowledge. All site visitors who register have the chance to review our full current coverage of the 30 Dow stocks, showcasing our analysis of these well-known companies. The freely accessible content is designed to bring visitors to the website through search and marketing channels. At various points throughout the website, marketing initiatives are in place to convert visitors into paying subscribers. On the website, visitors may access complimentary quotations and market information for a security, but must become a paying subscriber to unlock the Value Line Ranks or other subscriber-only proprietary content. Additionally, advertisements for Value Line research products and sales promotions are posted throughout the website on relevant pages or related content.

### www.valuelinepro.com

Our website, www.valuelinepro.com, is a marketing channel for Value Line Institutional Services, which is also known as "Value Line Pro." Institutional Services provides investment research to our professional audience, which is comprised of financial advisors, corporate investors, portfolio managers, research analysts, and government agencies. The website provides extensive information on products available to professionals through Institutional Services. Website visitors can now take an on-demand tour of our Professional Service anytime with an online video presentation. There, website visitors can also sign up for free trials and webinars, read economic and stock market commentary, and learn more about our current promotional offerings.

### www.valuelinelibrary.com

Our website, www.valuelinelibrary.com, is a marketing channel for Value Line Institutional Services to reach the municipal and academic library audience. The website provides extensive information on products available to this specific prospective customer base. As with our Professional website, visitors to the Library website can now take an on-demand tour of our Library Service anytime with an online video presentation. Website visitors can sign up for free trials and webinars and learn more about our current product offerings. The website provides direct areas to communicate with the Institutional Department on a wide range of topics.

## VALUE LINE DEPARTMENTS AND FUNCTIONS

### Value Line Distribution Center

Our leased New Jersey fulfillment facility houses our product fulfillment operations, Customer Service, Data Entry, Subscription Processing and mailing departments. Value Line Distribution Center, Inc. provides subscription fulfillment services and subscriber relations services for Value Line's publications and continues to distribute Value Line's print publications.

### Information Technology

Value Line¹s Information Technology Group is integral to how we produce and distribute our products and services. The Information Technology Group is comprised of well-qualified engineers, developers and operations specialists who are responsible for Software Architecture, Application Development, Production Control, Web Support, Infrastructure Services, Database Design and Maintenance. The Group maintains and monitors our website and supports the needs of all internal staff with a superior Technology Support Desk.

### Value Line Funds

On December 23, 2010, EULAV Asset Management, LLC was restructured as a Delaware statutory trust and renamed EULAV Asset Management. Since the restructuring, EULAV Asset Management has had sole responsibility for the management of the Value Line Mutual Funds. The Funds have largely the same investment objectives and resources — including Value Line research and Ranks — as in the past.

As of April 30, 2020, the Value Line Mutual Funds had $3.6 billion under management, the highest level since the restructuring occurred.

### Copyright Programs

Value Line's Copyright Programs support various financial products, including Exchange Traded Funds and Unit Investment Trusts that are currently available to investors through copyright agreements with third parties. The agreements for copyright typically enable Value Line to receive a percentage of assets held in a copyright program. In return, the other party is typically permitted to use the Value Line name and proprietary information along with one or more Value Line quantitative models (the "Copyright") as the basis for one or more asset management products that they establish and market.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help a reader understand Value Line, its operations and business factors. The MD&A should be read in conjunction with Item 1, "Business", and Item 1A, "Risk Factors" of Form 10-K, and in conjunction with the consolidated financial statements and the accompanying notes contained in Item 8 of Form 10-K.

- Executive Summary of the Business
- Results of Operations
- Liquidity and Capital Resources
- Recent Accounting Pronouncements

## EXECUTIVE SUMMARY OF THE BUSINESS

The Company's core business is producing investment periodicals and their underlying research and making available certain Value Line copyrights, Value Line trademarks and Value Line Proprietary Ranks and other proprietary information, to third parties under written agreements for use in third-party managed and marketed investment products and for other purposes. Value Line markets under well-known brands including *Value Line®, the Value Line logo®, The Value Line Investment Survey®, Smart Research, Smarter Investing™ and The Most Trusted Name in Investment Research®*. The name "Value Line" as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company. Effective December 23, 2010, EULAV Asset Management Trust ("EAM") was established to provide the investment management services to the Value Line Funds, institutional and individual accounts and provide distribution, marketing, and administrative services to the Value Line® Mutual Funds ("Value Line Funds"). The Company maintains a significant investment in EAM from which it receives payments in respect of its non-voting revenues and non-voting profits interests.

The Company's target audiences within the investment research field are individual investors, colleges, libraries, and investment management professionals. Individuals come to Value Line for complete research in one package. Institutional licensees consist of corporations, financial professionals, colleges, and municipal libraries. Libraries and universities offer the Company's detailed research to their patrons and students. Investment management professionals use the research and historical information in their day-to-day businesses. The Company has a dedicated department that solicits institutional subscriptions.

Payments received for new and renewal subscriptions and the value of receivables for amounts billed to retail and institutional customers are recorded as unearned revenue until the order is fulfilled. As the orders are fulfilled, the Company recognizes revenue in equal installments over the life of the particular subscription. Accordingly, the subscription fees to be earned by fulfilling subscriptions after the date of a particular balance sheet are shown on that balance sheet as unearned revenue within current and long-term liabilities.

Prior to December 23, 2010, the Company's businesses consolidated into two reportable business segments. The investment periodicals and related publications (retail and institutional) and Value Line copyrights and Value Line Proprietary Ranks and other proprietary information consolidated into one segment called Publishing. The investment management services to the Value Line Funds were consolidated into a second business segment called Investment Management. Subsequent to December 23, 2010, the Publishing segment constitutes the Company's only reportable business segment.

### Asset Management and Mutual Fund Distribution Businesses

The Company completed the restructuring of its asset management and mutual fund distribution businesses (the "Restructuring Transaction") on December 23, 2010 (the "Restructuring Date") and executed the EAM Declaration of Trust (the "EAM Declaration of Trust"). Pursuant to the EAM Declaration of Trust, the Company received an interest in certain revenues of EAM and a portion of the residual profits of EAM but has no voting authority with respect to the election or removal of the trustees of EAM or control of its business.

The business of EAM is managed by its trustees each owning 20% of the voting profits interest in EAM and by its officers subject to the direction of the trustees. The Company's non-voting revenues and non-voting profits interests in EAM entitle it to receive a range of 41% to 55% of EAM's revenues (excluding distribution revenues) from EAM's mutual fund and separate account business and 50% of the residual profits of EAM (subject to temporary increase in certain limited circumstances). The Voting Profits Interest Holders will receive the other 50% of residual profits of EAM. Distribution is not less than 90% of EAM's profits payable each fiscal quarter under the provisions of the EAM Trust Agreement.

## Business Environment

The long business expansion, which commenced more than a decade ago, came to a sudden and abrupt end earlier this year. That reversal was brought about by the fast-spreading and deadly COVID-19 pandemic. Thus far, COVID-19 has caused a reported five million infections in the U.S. and led to the deaths of more than 160,000 Americans.

Meanwhile, the disease also quickly wreaked havoc on the nation's economy, causing many businesses to close indefinitely or to operate at very low levels due to social distancing mandates. The consequent recession also resulted in the layoffs of more than 40 million workers. The nation's gross domestic product, meantime, contracted by 5% in the first quarter and a larger proportion in the second. In response to this crisis, the U.S. Government earlier passed and implemented massive fiscal stimulus programs, which helped to alleviate some of the more serious economic dislocations resulting from the pandemic. On the monetary side, the Federal Reserve ("Fed") cut the federal funds rate target to near zero and initiated an extensive program of asset purchases.

Not only did the long economic expansion grind to a halt, but so too did the historic bull market, which at its peak had seen the Dow Jones Industrial Average reach the doorstep of 30,000. Then, after that painful equity market reversal, investors, emboldened by the actions taken by Washington and the Fed, and cheered by the initial reopening of a majority of the country's businesses, regained their stride in April through July, causing a significant recovery in many market sectors, albeit not in the economy. At mid- summer, much of the late-winter damage to Wall Street had been reversed.

Now, the challenge will be for the economy to respond in kind. To be sure, markets often lead the economy by several months, so it is entirely possible, even likely, that business activity will respond affirmatively to the actions taken by Washington and the Fed and to reopening efforts. Thus far, in fact, some of the recent business data have been encouraging, with lesser declines seen in manufacturing and non-manufacturing and with the release of surprisingly good employment figures through July as well as a rebound in retail sales overall.

## Results of Operations for Fiscal Years 2020, 2019 and 2018

The following table illustrates the Company's key components of revenues and expenses.

| | Fiscal Years Ended April 30, | | | | |
|---|---|---|---|---|---|
| | | | | Change | |
| ($ in thousands, except earnings per share) | 2020 | 2019 | 2018 | '20 vs. '19 | '19 vs. '18 |
| Income from operations | $9,090 | $5,413 | $2,572 | 67.9% | 110.5% |
| Non-voting revenues and non-voting profits interests from EAM Trust | 12,350 | 9,309 | 8,786 | 32.7% | 6.0% |
| Income from operations plus non-voting revenues and non-voting profits interests from EAM Trust | 21,440 | 14,722 | 11,358 | 45.6% | 29.6% |
| Operating expenses | 31,209 | 30,844 | 33,296 | 1.2% | –7.4% |
| Income from securities transactions, net | 44 | 504 | 540 | –91.3% | –6.7% |
| Income before income taxes | $21,484 | $15,226 | $11,898 | 41.1% | 28.0% |
| Net income* | $15,663 | $11,150 | $14,738 | 40.5% | –24.3% |
| Earnings per share | $1.62 | $1.15 | $1.52 | 40.9% | –24.3% |

*Net income in fiscal 2018 exceeded income before income taxes because the one-time tax adjustment from the Federal Income tax rate changes effective January 1, 2018 in our favor is actually larger than the income tax provision for the fiscal year ended April 30, 2018.

During the twelve months ended April 30, 2020, the Company's income from operations of $9,090,000 was $3,677,000 or 67.9% above income from operations of $5,413,000 during the twelve months ended April 30, 2019. During the twelve months ended April 30, 2020, there were 9,646,885 average common shares outstanding as compared to 9,683,771 average common shares outstanding during the twelve months ended April 30, 2019. For the twelve months ended April 30, 2020, operating expenses increased 1.2% above those during the twelve months ended April 30, 2019. During the twelve months ended April 30, 2020, the Company's net income of $15,663,000, or $1.62 per share, was $4,513,000 or 40.5% above net income of $11,150,000, or $1.15 per share, for the twelve months ended April 30, 2019. The largest factors in the increases in net income and income from operations during the twelve months ended April 30, 2020, compared to the prior fiscal year were an increase in copyright fees, an increase from revenues and profits interests in EAM Trust and well controlled overall expenses.

During the three months ended April 30, 2020, the Company's income from operations of $1,307,000 was 34.7% above income from operations of $970,000 during the three months ended April 30, 2019. During the three months ended April 30, 2020, the Company's net income of $2,810,000, or $0.29 per share, was 22.5% above net income of $2,293,000, or $0.24 per share, for the three months ended April 30, 2019.

During the twelve months ended April 30, 2019, the Company's income from operations of $5,413,000 was 110.5% above income from operations of $2,572,000 during the twelve months ended April 30, 2018. During the twelve months ended April 30, 2019, there were 9,683,771 average common shares outstanding as compared to 9,703,255 average common shares outstanding during the twelve months ended April 30, 2018. For the twelve months ended April 30, 2019, operating expenses were well controlled and decreased $2,452,000 or 7.4% below those during the twelve months ended April 30, 2018. During the twelve months ended April 30, 2019, the Company's net income of $11,150,000, or $1.15 per share, was 24.3% below net income of $14,738,000, or $1.52 per share, for the twelve months ended April 30, 2018. The largest factor in the decrease in net income during the twelve months ended April 30, 2019, compared to the prior fiscal year was the January 1, 2018, reduction in the U.S. statutory federal corporate income tax rate from 35% to 21% resulting in a one-time deferred noncash tax benefit of $6,485,000 or 54.51% of pre-tax income during fiscal 2018.

During the twelve months ended April 30, 2018, the Company's net income of $14,738,000, or $1.52 per share, was $4,371,000 or 42.2% above net income of $10,367,000, or $1.07 per share, for the twelve months ended April 30, 2017 due to the fiscal 2018 reduction in the U.S. statutory federal corporate income tax rate from 35% to 21% on the Company's long-term deferred tax liabilities, resulting in a tax benefit of 54.51% of pre-tax income for the twelve months ended April 30, 2018. The Company re-calculated its net deferred tax assets and liabilities using the Federal Tax Rate under the Tax Act. The effect of the re-calculation was reflected entirely in the third quarter ended January 31, 2018 (the period that included the enactment date) and was allocated directly to both current and deferred income tax expenses from continuing operations. Income from operations of $2,572,000 during the twelve months ended April 30, 2018 was $4,887,000 below income from operations of $7,459,000, which included a pre-tax gain of $8,123,000 from the sale of the Company's operating facility during the twelve months ended April 30, 2017 for which it received net proceeds of $11,555,000 on July 29, 2016 and additional depreciation and amortization expense of $3,498,000 in fiscal 2017.

## Total operating revenues

| | Fiscal Years Ended April 30, | | | | |
|---|---|---|---|---|---|
| | | | | Change | |
| ($ in thousands) | 2020 | 2019 | 2018 | '20 vs. '19 | '19 vs. '18 |
| Investment periodicals and related publications: | | | | | |
| Print | $12,351 | $13,339 | $13,850 | –7.4% | –3.7% |
| Digital | 15,277 | 15,481 | 15,653 | –1.3% | –1.1% |
| Total investment periodicals and related publications | 27,628 | 28,820 | 29,503 | –4.1% | –2.3% |
| Copyright fees | 12,671 | 7,437 | 6,365 | 70.4% | 16.8% |
| Total operating revenues | $40,299 | $36,257 | $35,868 | 11.1% | 1.1% |

Within investment periodicals and related publications, subscription sales orders are derived from print and digital products. The following chart illustrates the changes in the sales orders associated with print and digital subscriptions.

## Sources of subscription sales

| | Fiscal Years Ended April 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | Print | Digital | Print | Digital | Print | Digital |
| New Sales | 10.0% | 15.8% | 13.4% | 13.3% | 15.5% | 15.2% |
| Conversion and Renewal Sales | 90.0% | 84.2% | 86.6% | 86.7% | 84.5% | 84.8% |
| Total Gross Sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

During the twelve months ended April 30, 2020 new sales of digital publications increased as a percent of the total gross digital sales versus the prior fiscal year due to an increase in new Institutional gross sales of digital publications. During the twelve months ended April 30, 2020 new sales of print publications decreased as a percent of the total gross print sales versus the prior fiscal year due to the timing of advertising.

During the twelve months ended April 30, 2019 conversion and renewal sales of print and digital publications increased as a percent of the total gross print and digital sales versus the prior fiscal year partly as a result of successful Advance Renewal campaigns executed in February 2018 and in November 2018. During the twelve months ended April 30, 2019 new sales of print and digital publications decreased as a percent of the total gross print and digital sales versus the prior fiscal year due to a decrease in new gross sales of print and digital publications.

During twelve months ended April 30, 2018 new sales of print publications increased as a percent of the total gross print sales as a result of an increase in new print retail sales orders while conversion and renewal sales of print orders decreased from the prior fiscal year. New sales of digital publications slightly increased as a percent of the total gross digital sales as a result of an increase in new digital institutional sales orders. Conversion and renewal sales of digital services decreased as a percent of the total gross digital sales over the prior fiscal year.

| | As of April 30, | | | | |
|---|---|---|---|---|---|
| | | | | Change | |
| ($ in thousands) | 2020 | 2019 | 2018 | ’20 vs. ’19 | ’19 vs. ’18 |
| Unearned subscription revenue (current and long term liabilities) | $24,738 | $25,483 | $25,525 | −2.9% | −0.2% |

Unearned subscription revenue as of April 30, 2020 is 2.9% below April 30, 2019. A certain amount of variation is to be expected due to the volume of new orders and timing of renewal orders, direct mail campaigns and large Institutional Sales orders. The fourth quarter sales on the institutional side felt the effects of coronavirus recession and market volatility.

## Investment periodicals and related publications revenues

Investment periodicals and related publications revenues of $27,628,000 (excluding Copyright fees), decreased 4.1% during the twelve months ended April 30, 2020, as compared to the prior fiscal year. The Company continued activity to attract new subscribers, primarily digital subscriptions through various marketing channels, primarily direct mail, e-mail, and by the efforts of our sales personnel. Total product line circulation at April 30, 2020 was 5.4% below total product line circulation at April 30, 2019.

Print publication revenues of $12,351,000, decreased 7.4%, during the twelve months ended April 30, 2020 as compared to the prior fiscal year as a result of a 6.1% decline in total print circulation in fiscal 2020. Total digital circulation at April 30, 2020 was 4.4% below total digital circulation at April 30, 2019, however, digital publications revenues of $15,277,000 during the twelve months ended April 30, 2020 were only 1.3 % below the prior fiscal year, as higher-priced subscriptions were generally retained.

Investment periodicals and related publications revenues of $28,820,000 decreased 2.3%, during the twelve months ended April 30, 2019, as compared to the prior fiscal year. Total product line circulation at April 30, 2019 was 2.4% below total product line circulation at April 30, 2018.

Total print circulation at April 30, 2019 was 3.0% below the total print circulation at April 30, 2018. Print publication revenues of $13,339,000 decreased 3.7% during the twelve months ended April 30, 2019 as compared to the prior fiscal year. Total digital circulation at April 30, 2019 was 1.6% below total digital circulation at April 30, 2018 and digital publications revenues of $15,481,000 during the twelve months ended April 30, 2019 were 1.1% below the prior fiscal year.

Investment periodicals and related publications revenues decreased $665,000, or 2.2%, for the twelve months ended April 30, 2018, as compared to fiscal 2017. Total product line circulation at April 30, 2018 was comparable to total product line circulation at April 30, 2017.

Value Line serves primarily individual and professional investors in stocks, who pay mostly on annual subscription plans, for basic services or as much as $100,000 or more annually for comprehensive premium quality research, not obtainable elsewhere. The ongoing goal of adding new subscribers has led us to experiment with varying terms for our independent, proprietary research including periods of intensive promotion of “starter” services and publications. Further, new services and new features for existing services are regularly under consideration and development. Prominently introduced thus far in 2020 were new features in the *Value Line Research Center*, one of which is *The New Value Line ETFs Service*. A new monthly publication *Value Line Information You Should Know Wealth Newsletter* was introduced in January 2020, and features of the *Value Line Research Center* and *The Value Line Fund Advisor Plus* services were enhanced.

The Value Line Proprietary Ranking System results (the "Ranking System"), a component of the Company's flagship product, *The Value Line Investment Survey*, is also utilized in the Company's copyright business. The Ranking System is made available to EAM for specific uses without charge. The Ranking System is designed to be predictive over a six to twelve month period. During the six month period ended April 30, 2020, the combined Ranking System "Rank 1 & 2" stocks' decrease of 10.4% compared to the Russell 2000 Index's decrease of 16.1% during the comparable period. During the twelve month period ended April 30, 2020, the combined Ranking System "Rank 1 & 2" stocks' decrease of 7.6% compared to the Russell 2000 Index's decrease of 17.6% during the comparable period.

## Copyright fees

During the twelve months ended April 30, 2020, copyright fees of $12,671,000 were 70.4% above those during the corresponding period in the prior fiscal year. The largest of the individual ETFs active under Value Line's copyright program has again earned a five star overall Morningstar rating. The Company has negotiated with the sponsor of the largest exchange traded fund ("ETF") in the program, the restructuring of the Company's asset based fees and overall fees of the ETF in light of the competitive market. The Company's copyright fees may be reduced in the range of ten percent, although the level of assets under management in the ETF will be critical to this projection.

During the twelve months ended April 30, 2019, copyright fees of $7,437,000 were 16.8% above those during the corresponding period in the prior fiscal year.

## Investment management fees and services — (unconsolidated)

The Company has substantial non-voting revenues and non-voting profits interests in EAM, the asset manager to the Value Line Mutual Funds. Accordingly, the Company does not report this operation as a separate business segment, although it maintains a significant interest in the cash flows generated by this business and will receive ongoing payments in respect of its non-voting revenues and non-voting profits interests.

Total assets in the Value Line Funds managed and/or distributed by EAM at April 30, 2020, were $3.58 billion, which is $485 million, or 15.7%, above total assets of $3.09 billion in the Value Line Funds managed and/or distributed by EAM at April 30, 2019. The increase reflects successful investment selection capturing market appreciation and positive net flows for the Value Line Funds, partially offset by net redemptions in nine of the eleven Funds over the twelve month period ended April 30, 2020.

Total assets in the Value Line Funds managed and/or distributed by EAM at April 30, 2019, were $3.09 billion, which is $610 million, or 24.6%, above total assets of $2.48 billion in the Value Line Funds managed and/or distributed by EAM at April 30, 2018.

Shares of Value Line Strategic Asset Management Trust ("SAM") and Value Line Centurion Fund ("Centurion") are only distributed within certain variable annuity and variable life insurance contracts.

Sales and inflows for the Value Line Equity Funds during fiscal 2020 increased 109.1%, as compared to fiscal 2019. Sales and inflows for the Value Line Equity Funds during fiscal 2019 increased 169.2%, as compared to fiscal 2018 while Value Line Funds experienced net redemptions and the associated net asset outflows (redemptions less new sales) in fiscal 2018.

The following table shows the change in assets for the past three fiscal years including sales (inflows), redemptions (outflows), dividends and capital gain distributions, and market value changes. Inflows for sales, and outflows for redemptions reflect decisions of individual investors. The table also illustrates the assets within the Value Line Funds broken down into equity funds, variable annuity funds and fixed income funds as of April 30, 2020, 2019 and 2018.

## Value Line Mutual Funds Total Net Assets

| For the Years Ended April 30, | 2020 | 2019 | 2018 | 2020 vs. 2019 | 2019 vs. 2018 |
|---|---|---|---|---|---|
| Value Line equity fund assets (excludes variable annuity) — beginning | $2,582,416,326 | $1,991,265,258 | $1,877,029,899 | 29.7% | 6.1% |
| Sales/inflows | 1,516,434,399 | 710,828,252 | 264,010,632 | 113.3% | 169.2% |
| Dividends/Capital Gains Reinvested | 206,956,280 | 165,389,974 | 93,929,756 | 25.1% | 76.1% |
| Redemptions/outflows | (1,006,449,848) | (461,981,970) | (381,198,181) | 117.9% | 21.2% |
| Dividend and Capital Gain Distributions | (214,033,328) | (174,918,876) | (99,410,947) | 24.9% | 76.0% |
| Market value change | 22,225,964 | 351,833,688 | 236,904,099 | -93.6% | 48.5% |
| Value Line equity fund assets (non-variable annuity) — ending | 3,107,549,794 | 2,582,416,326 | 1,991,265,258 | 20.3% | 29.7% |
| Variable annuity fund assets — beginning | $ 402,171,626 | $ 378,970,470 | $ 405,395,163 | 6.1% | –6.5% |
| Sales/inflows | 3,489,595 | 4,023,089 | 5,154,384 | -13.3% | –21.9% |
| Dividends/Capital Gains Reinvested | 34,384,214 | 29,440,239 | 23,241,352 | 16.8% | 26.7% |
| Redemptions/outflows | (50,911,955) | (53,044,047) | (59,902,699) | -4.0% | –11.4% |
| Dividend and Capital Gain Distributions | (34,384,214) | (27,694,958) | (21,078,180) | 16.8% | 31.4% |
| Market value change | 10,522,627 | 70,476,833 | 26,160,450 | -85.4% | 169.4% |
| Variable annuity fund assets — ending | 365,271,893 | 402,171,626 | 378,970,470 | -9.2% | 6.1% |
| Fixed income fund assets — beginning[(1)] | $ 106,204,372 | $ 110,860,197 | $ 131,309,317 | -4.2% | –15.6% |
| Sales/inflows | 5,872,737 | 1,581,923 | 2,355,131 | 271.2% | –32.8% |
| Dividends/Capital Gains Reinvested | 2,247,503 | 2,337,429 | 2,565,532 | -3.8% | –8.9% |
| Redemptions/outflows | (13,556,768) | (10,837,962) | (22,403,260) | 25.1% | –51.6% |
| Dividend and Capital Gain Distributions | (2,578,873) | (11,137) | (21,515) | -6.0% | –48.2% |
| Market value change | 5,066,630 | 2,273,922 | (2,945,007) | 1.2% | –177.2% |
| Fixed income fund assets — ending | 103,255,601 | 106,204,372 | 110,860,197 | -2.8% | –4.2% |
| Assets under management — ending | $3,576,077,288 | $3,090,792,324 | $2,481,095,925 | 15.7% | 24.6% |

(1) In September 2018 Value Line Defensive Strategies Fund was liquidated.

The Value Line Fund shareholders are provided a money market fund investment managed by Federated Government Obligations Fund.

The Value Line Fund shareholders are provided a money market fund investment managed by Federated Government Obligations Fund.

As of April 30, 2020 and April 30, 2019, five of six Value Line equity and hybrid mutual funds, held an overall four or five star rating by Morningstar, Inc.

Several of the Value Line Funds have received national recognition. The Value Line Asset Allocation Fund continues stellar performance as the top performing balanced fund of any allocation funds in Morningstar's allocation categories. The Value Line Mid-Cap Focused Fund, the Value Line Small Cap Opportunities Fund and the Value Line Capital Appreciation Fund have been named "Category Kings" in The Wall Street Journal ("Journal") in multiple months in recent years. In 2019 the Value Line Mid-Cap Focused Fund reached the Journal's Winner's Circle for U.S. equity funds.

## EAM Trust — Results of Operations Before Distribution to Interest Holders

The overall results of EAM's investment management operations during the twelve months ended April 30, 2020, before interest holder distributions, included total investment management fees earned from the Value Line Funds of $21,985,000, 12b-1 fees and other fees of $8,436,000 and other net losses of $156,000. For the same period, total investment management fee waivers were $302,000 and 12b-1 fee waivers for three Value Line Funds were $667,000. During the twelve months ended April 30, 2020, EAM's net income was $2,332,000 after giving effect to Value Line's non-voting revenues interest of $11,184,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

The overall results of EAM's investment management operations during the twelve months ended April 30, 2019, before interest holder distributions, included total investment management fees earned from the Value Line Funds of $16,715,000, 12b-1 fees and other fees of $6,811,000 and other income of $273,000. For the same period, total investment management fee waivers were $421,000 and 12b-1 fee waivers for three Value Line Funds were $654,000. During the twelve months ended April 30, 2019, EAM's net income was $2,098,000 after giving effect to Value Line's non-voting revenues interest of $8,260,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

The overall results of EAM's investment management operations during the twelve months ended April 30, 2018, before interest holder distributions, included total investment management fees earned from the Value Line Funds of $15,988,000, 12b-1 fees and other fees of $6,455,000 and other income of $171,000 which included dividend, interest and licensing fees income. For the same period, total investment management fee waivers were approximately $487,000 and 12b-1 fee waivers for four Value Line Funds were approximately $754,000. During the twelve months ended April 30, 2018, EAM's net income was $1,492,000 after giving effect to Value Line's non-voting revenues interest of $8,040,000, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

As of April 30, 2020 and April 30, 2019, three of the Value Line Funds have all or a portion of the 12b-1 fees being waived, and one fund has partial investment management fee waivers in place. Although, under the terms of the EAM Declaration of Trust, the Company no longer receives or shares in the revenues from 12b-1 distribution fees, the Company could benefit from the fee waivers to the extent that the resulting reduction of expense ratios and enhancement of the performance of the Value Line Funds attracts new assets.

The Value Line equity and hybrid funds' assets represent 86.7%, variable annuity funds issued by GIAC represent 10.4%, and fixed income fund assets represent 2.9%, respectively, of total fund assets under management ("AUM") as of April 30, 2020. At April 30, 2020, equity, hybrid and GIAC variable annuities AUM increased by 16.3% and fixed income AUM decreased by 1.9% as compared to fiscal 2019.

The Value Line equity and hybrid funds' assets represent 83.4%, variable annuity funds issued by GIAC represent 13.2%, and fixed income fund assets represent 3.4%, respectively, of total fund assets under management ("AUM") as of April 30, 2019. At April 30, 2019, equity, hybrid and GIAC variable annuities AUM increased by 25.9% and fixed income AUM decreased by 4.5% as compared to fiscal 2018.

## EAM — The Company's non-voting revenues and non-voting profits interests

TThe Company holds non-voting revenues and non-voting profits interests in EAM which entitle the Company to receive from EAM an amount ranging from 41% to 55% of EAM's investment management fee revenues from its mutual fund and separate accounts business, and 50% of EAM's net profits, not less than 90% of which is distributed in cash every fiscal quarter. The applicable recent non-voting revenues interest percentage for the fourth quarter of fiscal 2020 was 51.51%.

The Company recorded income from its non-voting revenues interest and its non-voting profits interest in EAM as follows:

| | Fiscal Years Ended April 30, | | | | |
|---|---|---|---|---|---|
| | | | | Change | |
| ($ in thousands) | 2020 | 2019 | 2018 | '20 vs. '19 | '19 vs. '18 |
| Non-voting revenues interest | $11,184 | $8,260 | $8,040 | 35.4% | 2.7% |
| Non-voting profits interest | 1,166 | 1,049 | 746 | 11.2% | 40.6% |
| | $12,350 | $9,309 | $8,786 | 32.7% | 6.0% |

## Operating expenses

| | Fiscal Years Ended April 30, | | | | |
|---|---|---|---|---|---|
| | | | | Change | |
| ($ in thousands) | 2020 | 2019 | 2018 | '20 vs. '19 | '19 vs. '18 |
| Advertising and promotion | $3,350 | $3,406 | $3,780 | –1.6% | –9.9% |
| Salaries and employee benefits | 18,189 | 17,781 | 18,488 | 2.3% | –3.8% |
| Production and distribution | 4,945 | 5,222 | 5,857 | –5.3% | –10.8% |
| Office and administration | 4,725 | 4,435 | 5,171 | 6.5% | –14.2% |
| Total expenses | $31,209 | $30,844 | $33,296 | 1.2% | –7.4% |

Expenses within the Company are categorized into advertising and promotion, salaries and employee benefits, production and distribution, office and administration.

Operating expenses of $31,209,000 during the twelve months ended April 30, 2020 were 1.2% above those during the twelve months ended April 30, 2019. Production and distribution expense categories decreased by 5.3% as a result of cost controls, decrease in printing and distribution costs, primarily a result of a 6.1% reduction in print circulation, and a decline in amortization of internally developed software during the twelve months ended April 30, 2020. Operating expenses of $8,492,000 during the three months ended April 30, 2020 were 3.4% above those during the three months ended April 30, 2019.

Operating expenses of $30,844,000 during the twelve months ended April 30, 2019 were 7.4% below those during the twelve months ended April 30, 2018. All major expense categories decreased as a result of cost controls and a decline in amortization of internally developed software during the twelve months ended April 30, 2019.

Operating expenses of $33,296,000 for the twelve months ended April 30, 2018 decreased $1,942,000, or 5.5%, as compared to the twelve months ended April 30, 2017 primarily due to a $3,498,000 decrease in depreciation and amortization expense partially offset by a $307,000 increase in advertising expenses and a $1,011,000 increase in salaries and employee benefits in fiscal 2018.

## Advertising and promotion

During twelve months ended April 30, 2020, advertising and promotion expenses of $3,350,000, decreased 1.6% as compared to the prior fiscal year. During the twelve months ended April 30, 2020, an increase in media marketing expenses and institutional sales promotion was offset by a 15.7% decrease in direct marketing expenses. In fiscal 2020 direct mail expenses decreased for all products except for *The Value Line Investment Survey* and *The Value Line 600*.

During the twelve months ended April 30, 2019, advertising and promotion expenses of $3,406,000 decreased 9.9% as compared to the prior fiscal year. During the twelve months ended April 30, 2019, a $442,000 decrease in direct mail expenses for *The Value Line Investment Survey* and *The Value Line 600* was partially offset by a $170,000 increase in media marketing expenses and institutional sales promotion.

During the twelve months ended April 30, 2018, advertising and promotion expenses of $3,780,000 increased $307,000 above those of fiscal 2017 primarily due to a $249,000 increase in direct mail expenses and a $285,000 increase in media marketing expenses. Direct mail expenses of $1,256,000 during the twelve months ended April 30, 2018 increased above those of the prior fiscal year due to the increases in expenses for *The Value Line Investment Survey*, *The Value Line 600*, *The Value Line Small and Mid-Cap* and *The Value Line Special Situations Service* in fiscal 2018.

## Salaries and employee benefits

During the twelve months ended April 30, 2020, salaries and employee benefits of $18,189,000, increased 2.3% above the prior fiscal year due to a 47.0% increase in Profit Sharing employee retirement benefits during fiscal 2020 and a 10.2% increase in independent contractors' costs over the prior year primarily in the Quantitative Research department. In fiscal 2020 salaries and employee benefits in the Information Technology department ("IT") decreased 2.2% from the prior year reflecting completion of certain initiatives to upgrade operating systems.

During the twelve months ended April 30, 2019, salaries and employee benefits of $17,781,000 decreased 3.8% below the prior fiscal year primarily due to decreases in salaries and employee benefits in the Information Technology department ("IT"), reflecting completion of certain initiatives.

During the twelve months ended April 30, 2018 salaries and employee benefits of $18,488,000 increased $1,011,000 above those of fiscal 2017 primarily due to the increases in salaries and employee benefits in the Information Technology department ("IT") related to the Company's digital infrastructure and production processes and Quantitative Research departments.

During the twelve months ended April 30, 2020, 2019 and 2018, the Company recorded profit sharing expenses of $870,000, $592,000 and $496,000, respectively.

## Production and distribution

During the twelve months ended April 30, 2020, production and distribution expenses of $4,945,000, decreased 5.3% below the prior fiscal year. During the twelve months ended April 30, 2020, a 1.8% decrease in overall expenses related to renegotiated production support of the Company's website, maintenance of the Company's publishing and application software and operating systems and a 56.3% decrease in amortization of internally developed software costs related to digital security and publication production software as compared to fiscal 2019. In fiscal 2020, printing and distribution costs decreased 9.8% due to a 6.1% decrease in print circulation during the twelve months ended April 30, 2020.

During the twelve months ended April 30, 2019, production and distribution expenses of $5,222,000 decreased 10.8% below the prior fiscal year. During the twelve months ended April 30, 2019, a decrease of $719,000 was attributable to a decline in amortization of internally developed software costs related to digital security and publication production software. In fiscal 2019 distribution costs increased 2.8% due to a 2% increase in postal rates in January 2018 and 2% in January 2019.

During the twelve months ended April 30, 2018, production and distribution expenses of $5,857,000 decreased $3,206,000 below those of fiscal 2017. During the twelve months ended April 30, 2018, a decrease of $3,548,000 was attributable to a decline in amortization of internally developed software costs related to digital security and product production software. During the twelve months ended April 30, 2018, the decrease in production costs was partially offset by a $294,000 increase in production support of the Company's website, maintenance of the Company's publishing and application software and operating systems and web "framework".

## Office and administration

During the twelve months ended April 30, 2020, office and administrative expenses of $4,725,000, increased 6.5% above the prior fiscal year. The increase of $222,000 during the twelve months ended April 30, 2020 was a result of the operating lease amortization expense in fiscal 2020 due to a change in lease accounting standard ASU 2016-02,"Leases (Topic 842)".

During the twelve months ended April 30, 2019, office and administrative expenses of $4,435,000 decreased 14.2% below the prior fiscal year.

During the twelve months ended April 30, 2018, office and administrative expenses of $5,171,000, decreased $54,000 below those of fiscal 2017. During the twelve months ended April 30, 2018, a decrease in office and administrative expenses was primarily as a result of a $431,000 decrease in the cost of space rental due to lower rent payments resulting from the sub-lease agreement with ABM Industries, Incorporated ("ABM" or the "Sublandlord"). In accordance with GAAP, we allocated the benefit of the free rent period and other concessions over the term of our new NYC sublease, commenced on December 1, 2016. In fact, however, the Company did not pay cash rent for the new New York City office facility from December 2016 through October 2017. Additional decreases include $194,000 savings in real estate taxes due to the relocation of VLDC operations to a new downsized leased NJ facility upon the sale of the operating facility in July 2016 and relocation of the NYC office to a new smaller facility at 551 Fifth Ave., NY in February 2017. These savings in fiscal 2018 were partially offset by a $370,000 increase in professional fees above those of fiscal 2017.

## Concentration

During the twelve months ended April 30, 2020, 31.4% of total publishing revenues of $40,299,000 were derived from a single customer. During the twelve months ended April 30, 2019, 20.5% of total publishing revenues of $36,257,000 were derived from a single customer. During the twelve months ended April 30, 2018, 17.7% of total publishing revenues of $35,868,000 were derived from a single customer.

## Lease Commitments

On November 30, 2016, Value Line, Inc. received consent from the landlord at 551 Fifth Avenue, New York, NY to the terms of a new sublease agreement between Value Line, Inc. and ABM Industries, Incorporated commencing on December 1, 2016. Pursuant to the agreement Value Line leased from ABM 24,726 square feet of office space located on the second and third floors at 551 Fifth Avenue, New York, NY ("Building" or "Premises") beginning on December 1, 2016 and ending on November 29, 2027. Base rent under the sublease agreement is $1,126,000 per annum during the first year with an annual increase in base rent of 2.25% scheduled for each subsequent year, payable in equal monthly installments on the first day of each month, subject to customary concessions in the Company's favor and pass-through of certain increases in utility costs and real estate taxes over the base year. The Company provided a security deposit represented by a letter of credit in the amount of $469,000 in October 2016, which is scheduled to be reduced to $305,000 on September 30, 2021 and fully refunded after the sublease ends. This Building became the Company's new corporate office facility. The Company is required to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises. The sublease terms provide for a significant decrease (23% initially) in the Company's annual rental expenditure taking into account free rent for the first six months of the sublease. Sublandlord provided Value Line a work allowance of $417,000 which accompanied with the six months free rent worth $563,000 was applied against the Company's obligation to pay rent at our NYC headquarters, delaying the actual rent payments until November 2017.

On February 29, 2016, the Company's subsidiary VLDC and Seagis Property Group LP (the "Landlord") entered into a lease agreement, pursuant to which VLDC has leased 24,110 square feet of warehouse and appurtenant office space located at 205 Chubb Ave., Lyndhurst, NJ ("Warehouse") beginning on May 1, 2016 and ending on April 30, 2024 ("Lease"). Base rent under the Lease is $192,880 per annum payable in equal monthly installments on the first day of each month, in advance during fiscal 2017 and will gradually increase to $237,218 in fiscal 2024, subject to customary increases based on operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of $32,146, which will be fully refunded after the lease term expires. The lease is a net lease requiring the Company to pay for certain operating expenses associated with the Warehouse as well as utilities supplied to the Warehouse.

## Income from Securities Transactions, net

| | Fiscal Years Ended April 30, | | | | |
|---|---|---|---|---|---|
| | | | | Change | |
| ($ in thousands) | 2020 | 2019 | 2018 | '20 vs. '19 | '19 vs. '18 |
| Dividend income | $352 | $257 | $226 | 37.0% | 13.7% |
| Interest income | 279 | 201 | 103 | 38.8% | 95.1% |
| Capital gain distributions from ETFs | — | — | 152 | n/a | –100.0% |
| Capital gain/(loss) | (581) | — | — | n/a | n/a |
| Other | (6) | 46 | 59 | –113.0% | –22.0% |
| Total income from securities transactions and other, net | $44 | $504 | $540 | –91.3% | –6.7% |

During the twelve months ended April 30, 2020 and April 30, 2019, the Company's income from securities transactions, net, primarily derived from dividend and interest income mostly offset by realized losses on sales of securities held for sales in fiscal 2020, was $44,000 and $504,000, respectively. Proceeds from maturities and sales of government debt securities classified as available-for-sale during the twelve months ended April 30, 2020 and April 30, 2019, were $8,663,000 and $8,346,000, respectively. Proceeds from the sales of equity securities classified as available-for-sale during the twelve months ended April 30, 2020 were $4,387,000. Losses on the sales of equity securities classified as available-for-sale were reclassified from other comprehensive income in the Consolidated Balance Sheet in the amount of $581,000 during the twelve months ended April 30, 2020. There were no sales or proceeds from sales of equity securities during the twelve months ended April 30, 2019. Proceeds from sales of equity securities classified as available-for-sale were $152,000 that represent capital gain distributions from ETFs during the twelve months ended April 30, 2018. There were no capital gain distributions from ETFs in fiscal 2020 or fiscal 2019.

During the twelve months ended April 30, 2019 and April 30, 2018, the Company's income from securities transactions, net, primarily derived from dividend and interest income, was $504,000 and $540,000, respectively.

Proceeds from maturities and sales of government debt securities classified as available-for-sale during the twelve months ended April 30, 2019 and April 30, 2018, were $8,346,000 and $3,384,000, respectively. There were no sales or proceeds from sales of equity securities during the twelve months ended April 30, 2019. Proceeds from sales of equity securities classified as available-for-sale were $152,000 that represent capital gain distributions from ETFs during the twelve months ended April 30, 2018. There was no capital gain distribution from ETFs in fiscal 2019.

## Effective income tax rate

The overall effective income tax rates, as a percentage of pre-tax ordinary income for the twelve months ended April 30, 2020, April 30, 2019 and April 30, 2018 were 27.09% 26.81% and (23.87%), respectively. Due to evolving state tax legislation, the Company's state and local effective income tax rate, net of Federal income tax benefit, increased from 6.02%% of pretax income for the twelve months ended April 30, 2019, to 6.3% of pretax income for the twelve months ended April 30, 2020.

The overall change in the effective Federal tax rate during the twelve months ended April 30, 2019 and April 30, 2018 is primarily a result of the reduced Federal Tax Rate. In fiscal 2018 the U.S. statutory federal corporate income tax rate was reduced from 35% to 21%, which resulted in a tax benefit of 54.51% of pre-tax income for the twelve months ended April 30, 2018, primarily attributable to the effect on the long-term deferred tax liability. The Company re-calculated its net deferred tax assets and liabilities using the Federal Tax Rate under the Tax Act and allocated it directly to both current and deferred income tax expenses from continuing operations. In addition, due to evolving state tax legislation, the Company's state and local effective income tax rate, net of Federal income tax benefit, increased from 0.7% of pretax income for the twelve months ended April 30, 2018, to 6.02% of pretax income for the twelve months ended April 30, 2019.

## Liquidity and Capital Resources

The Company had working capital, defined as current assets less current liabilities, of $13,700,000 as of April 30, 2020 and $6,014,000 as of April 30, 2019. These amounts include short-term unearned revenue of $18,854,000 and $20,008,000 reflected in total current liabilities at April 30, 2020 and April 30, 2019, respectively. Cash and short-term securities were $34,158,000 and $28,321,000 as of April 30, 2020 and April 30, 2019, respectively.

The Company's cash and cash equivalents include $2,115,000 and $5,617,000 at April 30, 2020 and April 30, 2019, respectively, invested primarily in commercial banks and in Money Market Funds at brokers, which operate under Rule 2a-7 of the 1940 Act and invest primarily in short-term U.S. government securities.

## Cash from operating activities

The Company had cash inflows from operating activities of $13,745,000 during the twelve months ended April 30, 2020 compared to cash inflows from operations of $11,494,000 and $9,907,000 during the twelve months ended April 30, 2019 and 2018, respectively. The increase in cash flows from fiscal 2019 to fiscal 2020 is primarily attributable to higher pre-tax income and an increase in cash receipts from copyright programs. The increase in cash inflows from fiscal 2018 to fiscal 2019 is primarily attributable to higher pre-tax income and a further decrease in the Federal income taxes, partially offset by prepayments to vendors and the timing of payments of invoices including rent at the Company's NYC headquarters in fiscal 2019.

## Cash from investing activities

The Company's cash outflows from investing activities of $8,657,000 during the twelve months ended April 30, 2020 compared to cash outflows from investing activities of $2,972,000 for the twelve months ended April 30, 2019 and cash outflows from investing activities of $1,240,000 for the twelve months ended April 30, 2018. Cash outflows for the twelve months ended April 30, 2020 were higher than in fiscal 2019 primarily due to the Company's decision to invest in additional equity and fixed income securities in fiscal 2020. Cash outflows for the twelve months ended April 30, 2019 were higher than in fiscal 2018 primarily due to the Company's decision to invest in additional fixed income securities in fiscal 2019. Cash outflows for the twelve months ended April 30, 2018 included purchases of $408,000 for property and equipment.

## Cash from financing activities

During the twelve months ended April 30, 2020, the Company's cash outflows from financing activities were $6,627,000 and compared to cash outflows from financing activities of $7,970,000 and $9,283,000 for the twelve months ended April 30, 2019 and 2018, respectively. Cash outflows for financing activities included $1,214,000, $608,000 and

$354,000 for the repurchase of 46,840 shares, 28,059 shares and 20,045 shares of the Company's common stock under the October 19, 2018 and the September 19, 2012 board approved common stock repurchase programs, during fiscal years 2020, 2019 and 2018, respectively. During fiscal 2020, the Company applied for and received an SBA loan under the Paycheck Protection Program in the amount of $2,331,000. Quarterly dividend payments of $0.20 per share during fiscal 2020 aggregated $7,724,000. Quarterly dividend payments of $0.19 per share during fiscal 2019 aggregated $7,362,000. Quarterly regular dividend payments of $0.18 per share during fiscal 2018 and a special dividend of $0.20 per share declared in January 2018 aggregated $8,929,000.

At April 30, 2020 there were 9,616,721 common shares outstanding as compared to 9,663,561 common shares outstanding at April 30, 2019. The Company expects financing activities to continue to include use of cash for dividend payments for the foreseeable future.

Management believes that the Company's cash and other liquid asset resources used in its business together with the proceeds from the SBA loan and the future cash flows from operations and from the Company's non-voting revenues and non-voting profits interests in EAM will be sufficient to finance current and forecasted liquidity needs for the next twelve months. Management does not anticipate making any additional borrowings during the next twelve months. As of April 30, 2020, retained earnings and liquid assets were $56,450,000 and $34,158,000, respectively. As of April 30, 2019, retained earnings and liquid assets were $48,598,000 and $28,321,000, respectively.

## Seasonality

Our publishing revenues are comprised of subscriptions which are generally annual subscriptions. Our cash flows from operating activities are minimally seasonal in nature, primarily due to the timing of customer payments made for orders and subscription renewals.

## Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". This ASU requires that, for leases longer than one year, a lessee recognize in the statements of financial position a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. It also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense. The Company adopted this ASU in May 2019 under a modified retrospective approach (see Note 9).

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) ("ASU 2016-15"), effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities that are required to present a statement of cash flows under ASC Topic 230, Statement of Cash Flows. The Company has adopted ASU 2016-15 in the first quarter of fiscal 2019.

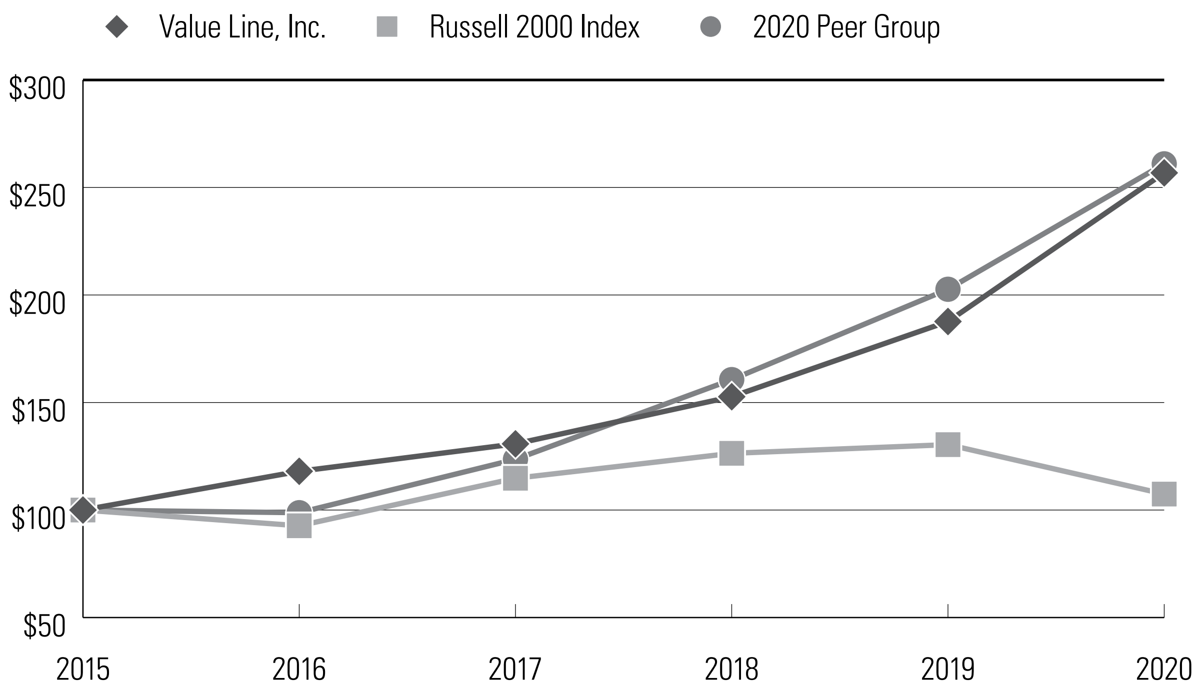
The FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In addition, ASU No. 2014-09 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2014-09 supersedes most existing U.S. GAAP revenue recognition principles, and it permits the use of either the retrospective or cumulative effect transition method. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. The Company has adopted ASU No. 2014-09 in the first quarter of fiscal 2019, which does not have a material impact on the Company's consolidated condensed financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)", effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. This ASU requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Company has adopted ASU No. 2016-18 in the first quarter of fiscal 2019, which does not have a material impact on the Company's consolidated condensed financial statements and related disclosures.

On June 21, 2018, the United States Supreme Court reversed the 1992 ruling in Quill, which protected firms delivering items by common carrier into a state where it had no physical presence from having to collect sales tax in such state. The Company has integrated the effects of the various state laws into its operations and continues to do so.

# Comparison of Five-Year Cumulative Total Return*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Value Line, Inc. | $100.00 | $118.02 | $130.78 | $152.70 | $187.68 | $256.81 |
| Russell 2000 Index | $100.00 | $92.68 | $114.78 | $126.37 | $130.41 | $107.42 |
| 2020 Peer Group | $100.00 | $98.76 | $123.58 | $160.65 | $202.67 | $261.00 |




Source: Value Line Publishing LLC

Assumes $100 invested at the close of trading 4/30/15 in Value Line, Inc. common stock, Russell 2000 Index, and 2020 Peer Group.

*Cumulative total return assumes reinvestment of dividends.

Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein.

The Comparative Five-Year Total Return graph shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or to the liabilities of Section 18 of the Exchange Act.

The 2020 Peer Group consists of: AutoWeb, Inc.; Daily Journal Corp.; Forrester Research, Inc.; Morningstar, Inc.; Moody's Corp.; MarketAxess Holdings, Inc.; Donnelley Financial Solutions, Inc. The Peer Groups are developed by Steven Hall & Partners consulting firm.

# Financial Statements

## Value Line, Inc. Consolidated Balance Sheets

| (in thousands, except share amounts) | April 30, 2020 | April 30, 2019 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents (including short term investments of $2,115 and $5,617, respectively) | $4,954 | $6,493 |
| Securities available-for-sale | 29,204 | 21,828 |
| Accounts receivable, net of allowance for doubtful accounts of $38 and $22, respectively | 4,438 | 1,504 |
| Receivable from clearing broker | 608 | — |
| Prepaid and refundable income taxes | — | 254 |
| Prepaid expenses and other current assets | 1,321 | 1,335 |
| Total current assets | **40,525** | **31,414** |
| **Long term assets:** | | |
| Investment in EAM Trust | 59,165 | 58,625 |
| Restricted money market investments | 469 | 469 |
| Property and equipment, net | 9,500 | 1,146 |
| Capitalized software and other intangible assets, net | 69 | 134 |
| Total long term assets | 69,203 | 60,374 |
| Total assets | **$109,728** | **$91,788** |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | $2,057 | $2,068 |
| Accrued salaries | 1,145 | 1,211 |
| Dividends payable | 2,019 | 1,933 |
| Accrued taxes on income | 1,043 | 180 |
| Payable to clearing broker | 588 | — |
| Loan obligation-short term portion | 194 | — |
| Operating lease obligation-short term | 925 | — |
| Unearned revenue | 18,854 | 20,008 |
| Total current liabilities | **26,825** | **25,400** |
| Long term liabilities: | | |
| Unearned revenue | 5,884 | 5,475 |
| Loan obligation-long term | 2,137 | — |
| Operating lease obligation-long term | 8,492 | — |
| Deferred charges | — | 765 |
| Deferred income taxes | 12,851 | 12,624 |
| Total long term liabilities | 29,364 | 18,864 |
| Total liabilities | **56,189** | **44,264** |
| Shareholders' Equity: | | |
| Common stock, $0.10 par value; authorized 30,000,000 shares; issued 10,000,000 shares | 1,000 | 1,000 |
| Additional paid-in capital | 991 | 991 |
| Retained earnings | 56,450 | 48,598 |
| Treasury stock, at cost (383,279 shares and 336,439 shares, respectively) | (5,957) | (4,743) |
| Accumulated other comprehensive income, net of tax | 1,055 | 1,678 |
| Total shareholders' equity | 53,539 | 47,524 |
| Total liabilities and shareholders' equity | **$109,728** | **$91,788** |

See independent auditor's report and accompanying notes to the consolidated financial statements.

## Value Line, Inc. Consolidated Statements of Income

| For the fiscal years ended April 30<br>(in thousands, except share and per share amounts) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Revenues: | | | |
| Investment periodicals and related publications | $ 27,628 | $ 28,820 | $ 29,503 |
| Copyright fees | 12,671 | 7,437 | 6,365 |
| Total publishing revenues | 40,299 | 36,257 | 35,868 |
| Total revenues | **40,299** | **36,257** | **35,868** |
| Expenses: | | | |
| Advertising and promotion | 3,350 | 3,406 | 3,780 |
| Salaries and employee benefits | 18,189 | 17,781 | 18,488 |
| Production and distribution | 4,945 | 5,222 | 5,857 |
| Office and administration | 4,725 | 4,435 | 5,171 |
| Total expenses | **31,209** | **30,844** | **33,296** |
| Income from operations | 9,090 | 5,413 | 2,572 |
| Revenues interest in EAM Trust | 11,184 | 8,260 | 8,040 |
| Profits interest in EAM Trust | 1,166 | 1,049 | 746 |
| Income from securities transactions, net | 44 | 504 | 540 |
| Income before income taxes | 21,484 | 15,226 | 11,898 |
| Income tax provision | 5,821 | 4,076 | (2,840) |
| Net income | $ 15,663 | $ 11,150 | $ 14,738 |
| Earnings per share, basic & fully diluted | $ 1.62 | $ 1.15 | $ 1.52 |
| Weighted average number of common shares | 9,646,885 | 9,683,771 | 9,703,255 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

## Value Line, Inc. Consolidated Statements of Comprehensive Income

| For the fiscal years ended April 30 (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income | $15,663 | $11,150 | $14,738 |
| Other comprehensive income/(loss), net of tax: | | | |
| Change in unrealized gains on securities, net of taxes | (623) | 895 | 325 |
| Other comprehensive income/(loss) | (623) | 895 | 325 |
| Comprehensive income | **$15,040** | **$12,045** | **$15,063** |

See independent auditor's report and accompanying notes to the consolidated financial statements.

## Value Line, Inc. Consolidated Statements of Cash Flows

| For the fiscal years ended April 30 (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income | $15,663 | $ 11,150 | $ 14,738 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 266 | 367 | 1,125 |
| Realized gain on sales of equity securities | 581 | — | (152) |
| Non-voting profits interest in EAM Trust | (1,166) | (1,049) | (746) |
| Non-voting revenues interest in EAM Trust | (11,184) | (8,260) | (8,040) |
| Revenues distribution received from EAM Trust | 10,588 | 8,027 | 7,879 |
| Profits distributions received from EAM Trust | 1,222 | 945 | 957 |
| Deferred rent | 99 | (89) | 422 |
| Deferred income taxes | 267 | 512 | (7,058) |
| Other, net | — | (55) | (60) |
| Changes in operating assets and liabilities: | | | |
| Unearned revenue | (745) | (42) | (134) |
| Accounts payable & accrued expenses | (12) | 142 | 669 |
| Accrued salaries | (66) | (176) | 102 |
| Accrued taxes on income | 898 | 339 | 324 |
| Prepaid and refundable income taxes | 254 | 203 | (385) |
| Prepaid expenses and other current assets | 14 | (65) | 297 |
| Accounts receivable | (2,934) | (455) | (31) |
| Total adjustments | **(1,918)** | **344** | **(4,831)** |
| Net cash provided by operating activities | **13,745** | **11,494** | **9,907** |
| **Cash flows from investing activities:** | | | |
| Purchases/sales of securities classified as available-for-sale: | | | |
| Proceeds from sales of equity securities | 4,387 | — | 152 |
| Purchases of equity securities | (9,302) | (156) | — |
| Proceeds from sales of fixed income securities | 8,663 | 8,346 | 3,384 |
| Purchases of fixed income securities | (12,403) | (11,040) | (4,368) |
| Acquisition of property and equipment | (2) | (11) | (408) |
| Expenditures for capitalized software | — | (111) | — |
| Net cash used in investing activities | **(8,657)** | **(2,972)** | **(1,240)** |
| Cash flows from financing activities: | | | |
| Purchase of treasury stock at cost | (1,214) | (608) | (354) |
| Proceeds from SBA loan | 2,331 | — | — |
| Receivable from clearing broker | (608) | — | — |
| Payable to clearing broker | 588 | — | — |
| Dividends paid | (7,724) | (7,362) | (8,929) |
| Net cash provided by financing activities | **(6,627)** | **(7,970)** | **(9,283)** |
| Net change in cash and cash equivalents | (1,539) | 552 | (616) |
| Cash, cash equivalents and restricted cash at beginning of year | 6,962 | 6,410 | 7,026 |
| Cash, cash equivalents and restricted cash at end of year | **$ 5,423** | **$ 6,962** | **$ 6,410** |

See independent auditor's report and accompanying notes to the consolidated financial statements.

# Value Line, Inc. Consolidated Statements of Changes in Shareholders' Equity

**For the Fiscal Years Ended April 30, 2020, 2019 and 2018 (in thousands, except share amounts)**

| | Common stock | | Additional paid-in capital | Treasury Stock | | Retained earnings | Accumulated Other Comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | | **Shares** | **Amount** | | | |
| **Balance as of April 30, 2017** | 10,000,000 | $1,000 | $991 | (288,335) | $(3,781) | $39,186 | $458 | $37,854 |
| Net income | | | | | | 14,738 | | 14,738 |
| Change in unrealized gains on securities, net of taxes | | | | | | | 325 | 325 |
| Purchase of treasury stock | | | | (20,045) | (354) | | | (354) |
| Dividends declared | | | | | | (9,022) | | (9,022) |
| **Balance as of April 30, 2018** | 10,000,000 | $1,000 | $991 | (308,380) | $(4,135) | $44,902 | $783 | $43,541 |

Dividends declared per share were $0.18 for each of the three months ended July 31, 2017, October 31, 2017 and January 31, 2018 and $0.19 for the three months ended April 30, 2018. In addition, a special dividend of $0.20 per share was declared on January 19, 2018.

| | Common stock | | Additional paid-in capital | Treasury Stock | | Retained earnings | Accumulated Other Comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | | **Shares** | **Amount** | | | |
| **Balance as of April 30, 2018** | 10,000,000 | $1,000 | $991 | (308,380) | $(4,135) | $44,902 | $783 | $43,541 |
| Net income | | | | | | 11,150 | | 11,150 |
| Change in unrealized gains on securities, net of taxes | | | | | | | 895 | 895 |
| Purchase of treasury stock | | | | (28,059) | (608) | | | (608) |
| Dividends declared | | | | | | (7,454) | | (7,454) |
| **Balance as of April 30, 2019** | 10,000,000 | $1,000 | $991 | (336,439) | $(4,743) | $48,598 | $1,678 | $47,524 |

Dividends declared per share were $0.19 for each of the three months ended July 31, 2018, October 31, 2018 and January 31, 2019 and $0.20 for the three months ended April 30, 2019.

| | Common stock | | Additional paid-in capital | Treasury Stock | | Retained earnings | Accumulated Other Comprehensive income | Total |
|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | | **Shares** | **Amount** | | | |
| **Balance as of April 30, 2019** | 10,000,000 | $1,000 | $991 | (336,439) | $(4,743) | $48,598 | $1,678 | $47,524 |
| Net income | | | | | | 15,663 | | 15,663 |
| Change in unrealized gains on securities, net of taxes | | | | | | | (623) | (623) |
| Purchase of treasury stock | | | | (46,840) | (1,214) | | | (1,214) |
| Dividends declared | | | | | | (7,811) | | (7,811) |
| **Balance as of April 30, 2020** | 10,000,000 | $1,000 | $991 | (383,279) | $(5,957) | $56,450 | $1,055 | $53,539 |

Dividends declared per share were $0.20 for each of the three months ended July 31, 2019, October 31, 2019 and January 31, 2020 and $0.21 for the three months ended April 30, 2020.

See independent auditor's report and accompanying notes to the consolidated financial statements.

# Notes to Consolidated Financial Statements

## Note 1 — Organization and Summary of Significant Accounting Policies:

Value Line, Inc. ("Value Line" or "VLI", and collectively with its subsidiaries, the "Company") is incorporated in the State of New York. The name "Value Line" as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company. The Company's core business is producing investment periodicals and their underlying research and making available certain Value Line copyrights, Value Line trademarks and Value Line Proprietary Ranks and other proprietary information, to third parties under written agreements for use in third-party managed and marketed investment products and for other purposes. The Company maintains a significant investment in Eulav Asset Management LLC ("EAM") from which it receives a non-voting revenues interest and a non-voting profits interest. EAM was established to provide investment management services to the Value Line Mutual Funds ("Value Line Funds" or the "Funds").

Prior to December 23, 2010 (the "Restructuring Date"), VLI, through its direct subsidiary EULAV Asset Management LLC ("EAM LLC"), provided investment management services to the Value Line Funds, institutions and individual accounts, and through EAM LLC's subsidiary EULAV Securities, Inc. ("ESI"), provided distribution, marketing, and administrative services to the Value Line Funds. On December 23, 2010, the Company deconsolidated the asset management and mutual fund distribution subsidiaries and exchanged its controlling interest in these subsidiaries for a non-voting revenues interest and a non-voting profits interest in EULAV Asset Management Trust, a Delaware business statutory trust ("EAM" or "EAM Trust"), the successor to EAM LLC and the sole member of EULAV Securities LLC ("ES"), the successor to ESI, (the "Restructuring Transaction"). Pursuant to the EAM Declaration of Trust dated as of December 23, 2010 (the "EAM Trust Agreement"), VLI granted EAM the right to use the Value Line name for all existing Value Line Funds and agreed to supply, without charge or expense, the Value Line Proprietary Ranking System information to EAM for use in managing the Value Line Funds.

### Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

### Principles of Consolidation:

The Company follows the guidance in the Financial Accounting Standards Board's ("FASB") Topic 810 "Consolidation" to determine if it should consolidate its investment in a variable interest entity ("VIE"). A VIE is a legal entity in which either (i) equity investors do not have sufficient equity investment at risk to enable the entity to finance its activities independently or (ii) the equity holders at risk lack the obligation to absorb losses, the right to receive residual returns or the right to make decisions about the entity's activities that most significantly affect the entity's economic performance. A holder of a variable interest in a VIE is required to consolidate the entity if it is determined that it has a controlling financial interest in the VIE and is therefore the primary beneficiary. The determination of a controlling financial interest in a VIE is based on a qualitative assessment to identify the variable interest holder, if any, that has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) either the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The accounting guidance requires the Company to perform an ongoing assessment of whether the Company is the primary beneficiary of a VIE and the Company has determined it is not the primary beneficiary of a VIE (see Note 5).

In accordance with FASB's Topic 810, the assets, liabilities, and results of operations of subsidiaries in which the Company has a controlling interest have been consolidated. All significant intercompany accounts and transactions have been eliminated in consolidation. On December 23, 2010, the Company completed the Restructuring Transaction and deconsolidated the related affiliates in accordance with FASB's Topic 810. As part of the Restructuring Transaction, the Company received a significant non-voting revenues interest (excluding distribution revenues) and a significant non-voting profits interest in the new entity, EULAV Asset Management, a Delaware statutory trust ("EAM" or "EAM Trust"). The Company relied on the guidance in FASB's ASC Topics 323 and 810 in its determination not to consolidate its investment in EAM and to account for such investment under the equity method of accounting. The Company reports the amount it receives for its non-voting revenues and non-voting profits interests as a separate line item below operating income in the Consolidated Statements of Income.

## Revenue Recognition:

Depending upon the product, subscription fulfillment for Value Line periodicals and related publications is available in print or digitally, via internet access. The length of a subscription varies by product and offer received by the subscriber. Generally, subscriptions are offered as annual subscriptions with the majority of subscriptions paid in advance. Subscription revenues, net of discounts, are recognized ratably on a straight line basis when the product is served to the client over the life of the subscription. Accordingly, the amount of subscription fees to be earned by fulfilling subscriptions after the date of the balance sheets are shown as unearned revenue within current and long-term liabilities.

Copyright fees are derived from providing certain Value Line trademarks and the Value Line Proprietary Ranking System results to third parties under written agreements for use in selecting securities for third party marketed products, including unit investment trusts, annuities and exchange traded funds ("ETFs"). The Company earns asset-based copyright fees upon delivery of the product to the customer as specified in the individual agreements. Revenue is recognized monthly and received either quarterly or in advance over the term of the agreement and, because it is asset-based, will fluctuate as the market value of the underlying portfolio increases or decreases in value.

EAM earns investment management fees from the Value Line Funds. The management fees and average daily net assets for the Value Line Funds are calculated by State Street Bank, which serves as the fund accountant, fund administrator, and custodian of the Value Line Funds.

The Value Line Funds are open-end management companies registered under the Investment Company Act of 1940 (the "1940 Act"). Shareholder transactions for the Value Line Funds are processed each business day by the third party transfer agent of the Funds. Shares can be redeemed without advance notice upon request of the shareowners each day that the New York Stock Exchange is open.

## Investment in Unconsolidated Entities:

The Company accounts for its investment in its unconsolidated entity, EAM, using the equity method of accounting in accordance with FASB's ASC 323. The equity method is an appropriate means of recognizing increases or decreases measured by GAAP in the economic resources underlying the investments. Under the equity method, an investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend or distribution. An investor adjusts the carrying amount of an investment for its share of the earnings or losses recognized by the investee.

The Company's "interests" in EAM, the investment adviser to and the sole member of the distributor of the Value Line Funds, consist of a "non-voting revenues interest" and a "non-voting profits interest" in EAM as defined in the EAM Trust Agreement. The non-voting revenues interest entitles the Company to receive a range of 41% to 55%, based on the amount of EAM's adjusted gross revenues, excluding EULAV Securities' distribution revenues ("Revenues Interest"). The non-voting profits interest entitles the Company to receive 50% of EAM's profits, subject to certain limited adjustments as defined in the EAM Trust Agreement ("Profits Interest"). The Revenues Interest and at least 90% of the Profits Interest are to be distributed each quarter to all interest holders of EAM, including Value Line. Subsequent to the Restructuring Date, the Company's Revenues Interest in EAM excludes participation in the service and distribution fees of EAM's subsidiary EULAV Securities. The Company reflects its non-voting revenues and non-voting profits interests in EAM as non-operating income under the equity method of accounting subsequent to the Restructuring Transaction. Although the Company does not have control over the operating and financial policies of EAM, pursuant to the EAM Trust Agreement, the Company has a contractual right to receive its share of EAM's revenues and profits.

## Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". This ASU requires that, for leases longer than one year, a lessee recognize in the statements of financial position a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. It also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense. The Company adopted this ASU in May 2019 under a modified retrospective approach (see Note 9).

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) ("ASU 2016-15"), effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities that are required to present a statement of cash flows under ASC Topic 230, Statement of Cash Flows. The Company has adopted ASU 2016-15 in the first quarter of fiscal 2019.

The FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In addition, ASU No. 2014-09 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2014-09 supersedes most existing U.S. GAAP revenue recognition principles, and it permits the use of either the retrospective or cumulative effect transition method. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. The Company has adopted ASU No. 2014-09 in the first quarter of fiscal 2019, which does not have a material impact on the Company's consolidated condensed financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)", effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. This ASU requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Company has adopted ASU No. 2016-18 in the first quarter of fiscal 2019, which does not have a material impact on the Company's consolidated condensed financial statements and related disclosures.

On June 21, 2018, the United States Supreme Court reversed the 1992 ruling in Quill, which protected firms delivering items by common carrier into a state where it had no physical presence from having to collect sales tax in such state. The Company has integrated the effects of the various state laws into its operations and continues to do so.

## Valuation of Securities:

The Company's securities classified as cash equivalents and available-for-sale consist of shares of money market funds that invest primarily in short-term U.S. Government securities and investments in equities including ETFs and are valued in accordance with the requirements of the Fair Value Measurements Topic of the FASB's ASC 820. The securities classified as available-for-sale reflected in the Consolidated Balance Sheets are valued at market and unrealized gains and losses, net of applicable taxes, are reported as a separate component of shareholders' equity. Realized gains and losses on sales of the securities classified as available-for-sale are recorded in earnings as of the trade date and are determined on the identified cost method.

The Company classifies its securities available-for-sale as current assets to properly reflect its liquidity and to recognize the fact that it has liquid assets available-for-sale should the need arise.

Market valuations of securities listed on a securities exchange and ETF shares are based on the closing sales prices on the last business day of each month. The market value of the Company's fixed maturity U.S. Government debt securities is determined utilizing publicly quoted market prices. Cash equivalents consist of investments in money market funds that invest primarily in U.S. Government securities valued in accordance with rule 2a-7 under the 1940 Act.

The Fair Value Measurements Topic of FASB's ASC defines fair value as the price that the Company would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. The Fair Value Measurements Topic established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the information that market participants would use in pricing the asset or liability, including assumptions about risk. Examples of risks include those inherent in a particular valuation technique used to measure fair value such as the risk inherent in the inputs to the valuation technique. Inputs are classified as observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 — quoted prices in active markets for identical investments

Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The following summarizes the levels of fair value measurements of the Company's investments:

| | As of April 30, 2020 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash equivalents | $2,115 | $— | $— | $2,115 |
| Securities available-for-sale | 29,204 | — | — | 29,204 |
| | $31,319 | $- | $- | $31,319 |

| | As of April 30, 2019 | | | |
|---|---|---|---|---|
| **($ in thousands)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash equivalents | $5,617 | $— | $— | $5,617 |
| Securities available-for-sale | 21,828 | — | — | 21,828 |
| | $27,445 | $— | $— | $27,445 |

The Company had no other financial instruments such as futures, forwards and swap contracts. For the periods ended April 30, 2020 and April 30, 2019, there were no Level 2 nor Level 3 investments. The Company does not have any liabilities subject to fair value measurement.

## Advertising expenses:

The Company expenses advertising costs as incurred.

## Income Taxes:

The Company computes its income tax provision in accordance with the Income Tax Topic of the FASB's ASC. Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book values and the tax bases of particular assets and liabilities, using tax rates currently in effect for the years in which the differences are expected to reverse. The Company adopted the provisions of ASU 2015-17, Income taxes (Topic 740) during the first quarter of fiscal 2018 and now classifies all deferred taxes as long-term liabilities on the Consolidated Balance Sheets.

The Income Tax Topic of the FASB's ASC establishes for all entities, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. As of April 30, 2020, management has reviewed the tax positions for the years still subject to tax audit under the statute of limitations, evaluated the implications, and determined that there is no material impact to the Company's financial statements.

## Earnings per share:

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Any shares that are reacquired during the period are weighted for the portion of the period that they are outstanding. The Company does not have any potentially dilutive common shares from outstanding stock options, warrants, restricted stock, or restricted stock units.

## Cash and Cash Equivalents:

For purposes of the Consolidated Statements of Cash Flows, the Company considers all cash held at banks and short-term liquid investments with an original maturity of less than three months to be cash and cash equivalents. As of April 30, 2020 and April 30, 2019, cash equivalents included $2,115,000 and $5,617,000, respectively, for amounts invested in money market mutual funds that invest in short-term U.S. government securities.

# Note 2 — Supplementary Cash Flow Information:

## Reconciliation of Cash, Cash Equivalents, and Restricted Cash:

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Statement of Cash Flows that sum to the total of the same such amounts shown in the Consolidated Statement of Cash Flows.

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| ($ in thousands) | 2020 | 2019 | 2018 |
| Cash and cash equivalents | $4,954 | $6,493 | $5,941 |
| Restricted cash | $469 | $469 | $469 |
| Total cash, cash equivalents, and restricted cash shown in the Consolidated Statement of Cash Flows | $5,423 | $6,962 | $6,410 |

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| ($ in thousands) | 2020 | 2019 | 2018 |
| State and local income tax payments | $1,105 | $387 | $307 |
| Federal income tax payments to the Parent | $3,325 | $2,700 | $3,975 |

See Note 3 — Related Party Transactions for tax amounts associated with Arnold Bernhard and Co., Inc. ("AB&Co." or the "Parent").

# Note 3 — Related Party Transactions:

## Investment Management (overview):

On December 23, 2010, the Company deconsolidated its asset management and mutual fund distribution businesses and its interest in these businesses was restructured as a non-voting revenues and non-voting profits interests in EAM. Accordingly, the Company no longer reports this operation as a separate business segment, although it still maintains a significant interest in the cash flows generated by this business and will receive non-voting revenues and non-voting profits interests going forward, as discussed below.

Total assets in the Value Line Funds managed and/or distributed by EAM at April 30, 2020, were $3.58 billion, which is $485 million, or 15.7%, above total assets of $3.09 billion in the Value Line Funds managed and/or distributed by EAM at April 30, 2019.

The Company's non-voting revenues and non-voting profits interests in EAM entitle it to receive quarterly distributions in a range of 41% to 55% of EAM's revenues (excluding distribution revenues) from EAM's mutual fund and separate account business and 50% of the residual profits of EAM (subject to temporary increase in certain limited circumstances). The Voting Profits Interest Holders will receive the other 50% of residual profits of EAM. Distribution is not less than 90% of EAM's profits payable each fiscal quarter under the provisions of the EAM Trust Agreement. Value Line's percent share of EAM's revenues is calculated each fiscal quarter. The applicable recent non-voting revenues interest percentage for the fourth quarter of fiscal 2020 was 51.51%.

The non-voting revenues and 90% of the Company's non-voting profits interests due from EAM to the Company are payable each fiscal quarter under the provisions of the EAM Trust Agreement. The distributable amounts earned through the balance sheet date, which is included in the Investment in EAM Trust on the Consolidated Balance Sheets, and not yet paid, were $2,949,000 and $2,420,000 at April 30, 2020 and April 30, 2019, respectively.

EAM Trust — VLI's non-voting revenues and non-voting profits interests:

The Company holds non-voting revenues and non-voting profits interests in EAM which entitle the Company to receive from EAM an amount ranging from 41% to 55% of EAM's investment management fee revenues from its mutual fund and separate accounts business. EAM currently has no separately managed account clients. The Company recorded income from its non-voting revenues interest and its non-voting profits interests in EAM as follows:

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| ($ in thousands) | 2020 | 2019 | 2018 |
| Non-voting revenues interest in EAM | $11,184 | $8,260 | $8,040 |
| Non-voting profits interest in EAM | 1,166 | $1,049 | 746 |
| | $12,350 | $9,309 | $8,786 |

## Transactions with Parent:

During the fiscal years ended April 30, 2020 and April 30, 2019, the Company was reimbursed $388,000 and $384,000, respectively for payments it made on behalf of and for services it provided to AB&Co. There were no receivables due from the Parent at April 30, 2020 or April 30, 2019.

The Company is a party to a tax-sharing arrangement with the Parent which allocates the tax liabilities of the two Companies between them. For the years ended April 30, 2020, 2019, and 2018, the Company made payments to the Parent for federal income tax amounting to $3,325,000, $2,700,000 and $3,975,000, respectively.

From time to time, the Parent has purchased additional shares of common stock of the Company in the market when and as the Parent has determined it to be appropriate. The Parent may make additional purchases of common stock of the Company from time to time in the future. As of April 30, 2020, the Parent owned 89.78% of the outstanding shares of common stock of the Company.

# Note 4 — Investments:

Securities Available-for-Sale:

Investments held by the Company and its subsidiaries are classified as securities available-for-sale in accordance with FASB's ASC 320, Investments - Debt and Equity Securities. All of the Company's securities classified as available-for-sale were readily marketable or had a maturity of twelve months or less and are classified as current assets on the Consolidated Balance Sheets.

## Equity Securities:

Equity securities classified as available-for-sale on the Consolidated Balance Sheets, consist of ETFs held for dividend yield that attempt to replicate the performance of certain equity indexes and ETFs that hold preferred shares primarily of financial institutions.

As of April 30, 2020 and April 30, 2019, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the SPDR Series Trust S&P Dividend ETF (SDY), First Trust Value Line Dividend Index ETF (FVD), PowerShares Financial Preferred ETF (PGF), Select Utilities Select Sector SPDR ETF (XLU), First Trust Value Line 100 ETF (FVL), ProShares Trust S&P 500 Dividend Aristocrats ETF (NOBL), SPDR S&P 500 ETF (SPY) and iShares Select Dividend ETF (DVY) and equity securities portfolio under EAM management held at Charles Schwab was $12,877,000 and $8,541,000, respectively, and the fair value was $14,125,000 and $10,622,000, respectively.

Proceeds from sales of equity securities classified as available-for-sale during the twelve months ended April 30, 2020 were $4,387,000 and the related capital losses of $581,000 were reclassified from Accumulated Other Comprehensive Income in the Consolidated Balance Sheet to the Consolidated Statement of Income. There were no gains or losses on sales of equity securities classified as available-for-sale during fiscal 2019 or fiscal 2018. Capital gain distributions of $152,000 were reclassified from Accumulated Other Comprehensive Income in the Consolidated Balance Sheet to the Consolidated Statement of Income during the twelve months ended April 30, 2018. There were no capital gain distributions in fiscal 2020 and 2019. The decrease in gross unrealized gains on equity securities classified as available-for-sale of $833,000, net of deferred tax benefit of $112,000 was included in Shareholders' Equity at April 30, 2020. The increase in gross unrealized gains on equity securities classified as available-for-sale of $1,087,000, net of deferred taxes of $228,000 was included in Shareholders' Equity at April 30, 2019. As of April 30,2020 and April 30, 2019, accumulated other comprehensive income included net unrealized gains of $1,248,000 and $2,081,000, net of deferred taxes of $325,000 and $437,000, respectively.

The carrying value and fair value of securities available-for-sale at April 30, 2020 were as follows:

| ($ in thousands) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| ETFs — equities | $12,877 | $1,317 | $(69) | $14,125 |

The carrying value and fair value of securities available-for-sale at April 30, 2019 were as follows:

| ($ in thousands) | Cost | Gross Unrealized Gains | Fair Value |
|---|---|---|---|
| ETFs — equities | $8,541 | $2,081 | $10,622 |

## Government Debt Securities (Fixed Income Securities):

Fixed income securities consist of certificates of deposits and securities issued by federal, state and local governments within the United States.

Proceeds from maturities and sales of government debt securities classified as available-for-sale during the twelve months ended April 30, 2020 and April 30, 2019, were $8,663,000 and $8,346,000, respectively. As of April 30, 2020 and April 30, 2019, accumulated other comprehensive income included unrealized gains of $177,000 and $43,000, net of deferred taxes of $46,000 and $9,000, respectively.

The aggregate cost and fair value at April 30, 2020 of fixed income securities classified as available-for-sale were as follows:

| ($ in thousands) | Amortized Historical Cost | Gross Unrealized Holding Gains | Fair Value |
|---|---|---|---|
| Maturity | | | |
| Due within 1 year | $14,652 | $177 | $14,829 |
| Due 1 year through 5 years | 250 | — | 250 |
| Total investment in government debt securities | $14,902 | $177 | $15,079 |

The increase in gross unrealized gains of $134,000 on fixed income securities classified as available-for-sale net of deferred income taxes of $37,000, was included in Accumulated Other Comprehensive Income on the Consolidated Balance Sheet as of April 30, 2020.

The aggregate cost and fair value at April 30, 2019 of fixed income securities classified as available-for-sale were as follows:

| ($ in thousands) | Amortized Historical Cost | Gross Unrealized Holding Gains | Fair Value |
|---|---|---|---|
| Maturity | | | |
| Due within 1 year | $6,913 | $33 | $6,946 |
| Due 1 year through 5 years | 4,250 | 10 | 4,260 |
| Total investment in government debt securities | $11,163 | $43 | $11,206 |

TheThe increase in gross unrealized gains of $46,000 on fixed income securities classified as available-for-sale net of deferred income taxes of $10,000, was included in Accumulated Other Comprehensive Income on the Consolidated Balance Sheet as of April 30, 2019.

The average yield on the Government debt securities classified as available-for-sale at April 30, 2020 and April 30, 2019 was 2.27% and 2.09%, respectively.

## Income from Securities Transactions:

Income from securities transactions was comprised of the following:

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| ($ in thousands) | | 2019 | 2018 |
| Dividend income | $352 | $257 | $226 |
| Interest income | 279 | 201 | 103 |
| Capital gain distributions from ETFs[(1)] | — | — | 152 |
| Realized loss on sale of securities[(2)] | (581) | — | — |
| Other | (6) | 46 | 59 |
| Total income from securities transactions, net | $44 | $504 | $540 |

(1) Capital gain distributions of $152,000 were reclassified from Accumulated Other Comprehensive Income in the Consolidated Balance Sheets to the Consolidated Statements of Income in fiscal 2018.

(2) Realized losses of $581,000 resulting from tax loss harvesting were reclassified from Accumulated Other Comprehensive Income in the Consolidated Balance Sheets to the Consolidated Statements of Income in fiscal 2020.

The changes in the value of equity and fixed income securities investments are recorded in Other Comprehensive Income in the Consolidated Financial Statements. Realized gains and losses are recorded on the trade date in the Consolidated Statements of Income when securities are sold, mature or are redeemed. As of April 30, 2020, the changes in gross unrealized gains of $699,000, net of deferred tax benefit of $76,000, were recorded in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets. As of April 30, 2019, the changes in gross unrealized gains of $1,133,000, net of deferred tax expense of $238,000 were recorded in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets.

## Investment in Unconsolidated Entities:

## Equity Method Investment:

As of April 30, 2020 and April 30, 2019, the Company's investment in EAM Trust, on the Consolidated Balance Sheets was $59,165,000 and $58,625,000, respectively.

The value of VLI's investment in EAM at April 30, 2020 and April 30, 2019 reflects the fair value of contributed capital of $55,805,000 at inception, which included $5,820,000 of cash and liquid securities in excess of working capital requirements contributed to EAM's capital account by VLI, plus VLI's share of non-voting revenues and non-voting profits from EAM less distributions, made quarterly to VLI by EAM, during the period subsequent to its initial investment through the dates of the Consolidated Balance Sheets.

It is anticipated that EAM will have sufficient liquidity and earn enough profit to conduct its current and future operations so the management of EAM will not need additional funding.

The Company monitors its Investment in EAM Trust for impairment to determine whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. Impairment indicators include, but are not limited to the following: (a) a significant deterioration in the earnings performance, asset quality, or business prospects of the investee, (b) a significant adverse change in the regulatory, economic, or technological environment of the investee, (c) a significant adverse change in the general market condition of the industry in which the investee operates, or (d) factors that raise significant concerns about the investee's ability to continue as a going concern such as negative cash flows, working capital deficiencies, or noncompliance with statutory capital and regulatory requirements. EAM did not record any impairment losses for its assets during the fiscal years 2020 or 2019.

The components of EAM's investment management operations, provided to the Company by EAM, were as follows:

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| ($ in thousands) | 2020 | 2019 | 2018 |
| Investment management fees earned from the Value Line Funds, net of waivers shown below | $21,985 | $16,715 | $15,988 |
| 12b-1 fees and other fees, net of waivers shown below | $ 8,436 | $ 6,811 | $ 6,455 |
| Other income | $ (156) | $ 273 | $ 171 |
| Investment management fee waivers and reimbursements | $ 302 | $ 421 | $ 487 |
| 12b-1 fee waivers | $ 667 | $ 654 | $ 754 |
| Value Line's non-voting revenues interest | $11,184 | $ 8,260 | $ 8,040 |
| EAM's net income [(1)] | $ 2,332 | $ 2,098 | $ 1,492 |

(1) Represents EAM's net income, after giving effect to Value Line's non-voting revenues interest, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

| | Fiscal Years Ended April 30, | |
|---|---|---|
| ($ in thousands) | 2020 | 2019 |
| EAM's total assets | $61,335 | $60,683 |
| EAM's total liabilities[(1)] | (4,192) | (3,547) |
| EAM's total equity | $57,143 | $57,136 |

(1) At April 30, 2020 and 2019, EAM's total liabilities included a payable to VLI for its accrued non-voting revenues and non-voting profits interests of $2,949,000 and $2,420,000, respectively.

# Note 5 — Variable Interest Entity:

The Company retained a non-voting revenues interest and a 50% non-voting profits interest in EAM, which was formed, as a result of the Restructuring Transaction on December 23, 2010, to carry on the asset management and mutual fund distribution businesses formerly conducted by the Company. EAM is considered to be a VIE in relation to the Company. The Company makes its determination for consolidation of EAM as a VIE based on a qualitative assessment of the purpose and design of EAM, the terms and characteristics of the variable interests in EAM, and the risks EAM is designed to originate and pass through to holders of variable interests. Other than EAM, the Company does not have an interest in any other VIEs.

The Company has determined that it does not have a controlling financial interest in EAM because it does not have the power to direct the activities of EAM that most significantly impact its economic performance. Value Line does not hold any voting stock of EAM and it does not have any involvement in the day-to-day activities or operations of EAM. Although the EAM Trust Agreement provides Value Line with certain consent rights and contains certain restrictive covenants related to the activities of EAM, these are considered to be protective rights and therefore Value Line does not maintain control over EAM.

In addition, although EAM is expected to be profitable, there is a risk that it could operate at a loss. While all of the profit interest shareholders in EAM are subject to variability based on EAM's operations risk, Value Line's non-voting revenues interest in EAM is a preferred interest in the revenues of EAM, rather than a profits interest in EAM, and Value Line accordingly believes it is subject to proportionately less risk than other holders of the profits interests.

The Company has not provided any explicit or implicit financial or other support to EAM other than what was contractually agreed to in the EAM Trust Agreement. Value Line has no obligation to fund EAM in the future and, as a result, has no exposure to loss beyond its initial investment and any undistributed revenues and profits interests retained in EAM. The following table presents the total assets of EAM, the maximum exposure to loss due to involvement with EAM, as well as the value of the assets and liabilities the Company has recorded on its Consolidated Balance Sheets for its interest in EAM.

| | | Value Line | | |
|---|---|---|---|---|
| **($ in thousands)** | **VIE Assets** | **Investment in EAM Trust(1)** | **Liabilities** | **Maximum Exposure to Loss** |
| As of April 30, 2020 | $61,335 | $59,165 | $— | $59,165 |
| As of April 30, 2019 | $60,683 | $58,625 | $— | $58,625 |

(1) Reported within Long-Term Assets on Consolidated Balance Sheets.

## Note 6 — Property and Equipment:

Property and equipment are carried at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, over the remaining terms of the leases. For income tax purposes, depreciation of furniture and equipment is computed using accelerated methods and buildings and leasehold improvements are depreciated over prescribed extended tax lives. Property and equipment, net, on the Consolidated Balance Sheets was comprised of the following:

| | As of April 30, | |
|---|---|---|
| **($ in thousands)** | **2020** | **2019** |
| Building and leasehold improvements | $1,013 | $1,013 |
| Operating lease — right-of-use asset | 8,550 | — |
| Furniture and equipment | 4,047 | 4,042 |
| | 13,610 | 5,055 |
| Accumulated depreciation and amortization | (4,110) | (3,909) |
| Total property and equipment, net | $9,500 | $1,146 |

## Note 7 — Federal, State and Local Income Taxes:

In accordance with the requirements of the Income Tax Topic of the FASB's ASC, the Company's provision for income taxes includes the following:

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| **($ in thousands)** | **2020** | **2019** | **2018** |
| Current tax expense: | | | |
| Federal | $4,201 | $2,964 | $3,853 |
| State and local | 1,353 | 600 | 365 |
| Current tax expense | 5,554 | 3,564 | 4,218 |
| Deferred tax expense (benefit): | | | |
| Federal | 1 | (650) | (7,021) |
| State and local | 266 | 1,162 | (37) |
| Deferred tax expense (benefit): | 267 | 512 | (7,058) |
| Income tax provision | $5,821 | $4,076 | $(2,840) |

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act (the “Tax Act”), was enacted. The Tax Act lowered the U.S. federal income tax rate (“Federal Tax Rate”) from 35% to 21% effective January 1, 2018. Accordingly, the Company computes Federal income tax expense using the Federal Tax Rate of 21% in fiscal year 2020 and each year thereafter. The Company computed Federal income tax expense for the twelve months ended April 30, 2019 using the Federal Tax Rate of 21%, and computed its income tax expense for the twelve months ended April 30, 2018 using a blended Federal Income tax rate of 30.33%.

The overall effective income tax rates, as a percentage of pre-tax ordinary income for the twelve months ended April 30, 2020, April 30, 2019 and April 30, 2018 were 27.09%, 26.81% and (23.87%), respectively. The increase in the effective tax rate during the twelve months ended April 30, 2020 is primarily a result of an increase in the state and local income taxes to 6.30% as a result of changes in state and local tax legislation and the effect of the lowering of the NYC tax allocation factor on deferred taxes in fiscal 2019. The Company’s annualized overall effective tax rate fluctuates due to a number of factors, in addition to changes in tax law, including but not limited to an increase or decrease in the ratio of items that do not have tax consequences to pre-tax income, the Company’s geographic profit mix between tax jurisdictions, taxation method adopted by each locality, new interpretations of existing tax laws and rulings and settlements with tax authorities.

The overall change in the effective Federal tax rate during the twelve months ended April 30, 2019 and April 30, 2018 is primarily a result of the reduced Federal Tax Rate. As mentioned above, in fiscal 2018 the U.S. statutory federal corporate income tax rate was reduced from 35% to 21%, which resulted in a tax benefit of 54.51% of pre-tax income for the twelve months ended April 30, 2018, primarily attributable to the effect on the long-term deferred tax liability. The Company re-calculated its net deferred tax assets and liabilities using the Federal Tax Rate under the Tax Act and allocated it directly to both current and deferred income tax expenses from continuing operations. In addition, due to evolving state tax legislation, the Company’s state and local effective income tax rate, net of Federal income tax benefit, increased from 0.7% of pretax income for the twelve months ended April 30, 2018, to 6.02% of pretax income for the twelve months ended April 30, 2019.

Deferred income taxes, a liability, are provided for temporary differences between the financial reporting basis and the tax basis of the Company’s assets and liabilities. The tax effect of temporary differences giving rise to the Company’s long-term deferred tax liability are as follows:

| | **Fiscal Years Ended April 30,** | |
|---|---|---|
| **($ in thousands)** | **2020** | **2019** |
| Federal tax liability (benefit): | | |
| Deferred gain on deconsolidation of EAM | $10,669 | $10,669 |
| Deferred non-cash post-employment compensation | (372) | (372) |
| Depreciation and amortization | 108 | 130 |
| Unrealized gain on securities held for sale | 299 | 446 |
| Right of Use Asset | (182) | — |
| Deferred charges | (166) | (354) |
| Other | (207) | (279) |
| Total federal tax liability | 10,149 | 10,240 |
| State and local tax liabilities (benefits): | | |
| Deferred gain on deconsolidation of EAM | 2,564 | 2,530 |
| Deferred non-cash post-employment compensation | (88) | (74) |
| Depreciation and amortization | 44 | 40 |
| Unrealized gain on securities held for sale | 72 | 106 |
| Other | 110 | (218) |
| Total state and local tax liabilities | 2,702 | 2,384 |
| Deferred tax liability, long-term | $12,851 | $12,624 |

The tax effect of temporary differences giving rise to the Company’s long-term deferred tax liability is primarily a result of the federal, state and local taxes related to the $50,805,000 gain from deconsolidation of the Company’s asset management and mutual fund distribution subsidiaries, partially offset by the long-term tax benefit related to the non-cash post-employment compensation of $1,770,000 granted to VLI’s former employee.

The Company uses the effective income tax rate determined to provide for income taxes on a year-to-date basis and reflects the tax effect of any tax law changes and certain other discrete events in the period in which they occur.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rate to pre-tax income as a result of the following:

| | Fiscal Years Ended April 30, | | |
|---|---|---|---|
| ($ in thousands) | 2020 | 2019 | 2018 |
| U.S. statutory federal tax rate | 21.00% | 21.00% | 30.33% |
| Increase (decrease) in tax rate from: | | | |
| Effect on deferred tax liabilities from federal tax rate reduction to 21% | — | — | (54.51)% |
| State and local income taxes, net of federal income tax benefit | 6.30% | 6.02% | 0.70% |
| Effect of dividends received deductions | (0.24)% | (0.24)% | (0.49)% |
| Other, net | 0.03% | 0.03% | 0.10% |
| Effective income tax rate | 27.09% | 26.81% | –23.87% |

The Company believes that, as of April 30, 2020, there were no material uncertain tax positions that would require disclosure under GAAP.

The Company is included in the consolidated federal income tax return of the Parent. The Company has a tax sharing agreement which requires it to make tax payments to the Parent equal to the Company's liability/(benefit) as if it filed a separate return. Beginning with the fiscal year ended April 30, 2017, the Company files combined income tax returns with the Parent on a unitary basis in certain states as a result of changes in state tax regulations.

The Company's federal income tax returns (included in the Parent's consolidated returns) and state and city tax returns for fiscal years ended 2017 through 2019, are subject to examination by the tax authorities, generally for three years after they are filed with the tax authorities. The Company is presently engaged in a New York City tax audit for the fiscal years ended April 30, 2017 through 2019 and does not expect it to have a material effect on the financial statements.

## Note 8 — Employees' Profit Sharing and Savings Plan:

Substantially all employees of the Company and its subsidiaries are members of the Value Line, Inc. Profit Sharing and Savings Plan (the "Plan"). In general, this is a qualified, contributory plan which provides for a discretionary annual Company contribution which is determined by a formula based on the salaries of eligible employees and the amount of consolidated net operating income as defined in the Plan. For the fiscal years ended April 30, 2020, 2019 and 2018, the estimated profit sharing plan contribution, which is included as an expense in salaries and employee benefits in the Consolidated Statements of Income, was $870,000, $592,000 and $496,000, respectively.

## Note 9 — Lease Commitments:

On November 30, 2016, Value Line, Inc., received consent from the landlord at 551 Fifth Avenue, New York, NY to the terms of a new sublease agreement between Value Line, Inc. and ABM Industries, Incorporated ("ABM" or the "Sublandlord") commencing on December 1, 2016. Pursuant to the agreement Value Line leased from ABM 24,726 square feet of office space located on the second and third floors at 551 Fifth Avenue, New York, NY ("Building" or "Premises") beginning on December 1, 2016 and ending on November 29, 2027. Base rent under the sublease agreement is $1,126,000 per annum during the first year with an annual increase in base rent of 2.25% scheduled for each subsequent year, payable in equal monthly installments on the first day of each month, subject to customary concessions in the Company's favor and pass-through of certain increases in utility costs and real estate taxes over the base year. The Company provided a security deposit represented by a letter of credit in the amount of $469,000 in October 2016, which is scheduled to be reduced to $305,000 on September 30, 2021 and fully refunded after the sublease ends. This Building became the Company's new corporate office facility. The Company is required to pay for certain operating expenses associated with the Premises as well as utilities supplied to the Premises. The sublease terms provide for a significant decrease (23% initially) in the Company's annual rental expenditure taking into account free rent for the first six months of the sublease. Sublandlord provided Value Line a work allowance of $417,000 which accompanied with the six months free rent worth $563,000 was applied against the Company's obligation to pay rent at our NYC headquarters, delaying the actual rent payments until November 2017.

On February 29, 2016, the Company's subsidiary VLDC and Seagis Property Group LP (the "Landlord") entered into a lease agreement, pursuant to which VLDC has leased 24,110 square feet of warehouse and appurtenant office space located at 205 Chubb Ave., Lyndhurst, NJ ("Warehouse") beginning on May 1, 2016 and ending on April 30, 2024 ("Lease"). Base rent under the Lease is $192,880 per annum payable in equal monthly installments on the first day of each month, in advance during fiscal 2017 and will gradually increase to $237,218 in fiscal 2024, subject to customary increases based on operating costs and real estate taxes. The Company provided a security deposit in cash in the amount of $32,146, which will be fully refunded after the lease term expires. The lease is a net lease requiring the Company to pay for certain operating expenses associated with the Warehouse as well as utilities supplied to the Warehouse.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". This ASU requires that, for leases longer than one year, a lessee recognizes in the statements of financial position a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. It also requires that for finance leases, a lessee recognizes interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense. The firm adopted this ASU in May 2019 under a modified retrospective approach.

The Company adopted ASU 2016-02 using a modified retrospective transition approach as of the Effective Date as permitted by the amendments in ASU 2018-11, which provides an alternative modified retrospective transition method. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (i.e. May 1, 2019). The Company has elected to employ the transitionary relief offered by the FASB and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized.

The Company leases office space in New York, NY and a warehouse and appurtenant office space in Lyndhurst, NJ. The Company has evaluated these leases and determined that they are operating leases under the definitions of the guidance of ASU 2016-02.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the net present value of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. For operating leases, the right-of-use asset is subsequently measured throughout the lease term at the carrying amount of the net present value of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received.

On May 1, 2019, the Company recorded a right-of-use asset in the amount of $9,575,000, which represents the lease liability of $10,340,000 adjusted for previously recorded unamortized lease incentives in the amount of $765,000. The right-of-use asset will be amortized over the remaining lease term in the amount equal to the difference between the calculated straight-line expense of the total lease payments less the monthly interest calculated on the remaining lease liability. As of April 30, 2020, the Company had a long-term lease asset of $8,550,000 recorded in property and equipment in its consolidated balance sheets.

The Company recognizes lease expense, calculated as the remaining cost of the lease allocated over the remaining lease term on a straight-line basis. Lease expense are presented as part of continuing operations in the consolidated condensed statements of income. For the twelve months ended April 30, 2020, the Company recognized $1,499,000 in lease expense.

For the twelve months ended April 30, 2020, the Company paid $1,400,000 in rent relating to the leases. As a payment arising from an operating lease, the $1,400,000 will be classified within operating activities in the consolidated statements of cash flows.

The Company's leases generally do not provide an implicit interest rate, and therefore the Company estimated an incremental borrowing rate, or IBR, as of the commencement date, to determine the present value of its operating lease liabilities. The IBR is defined under ASC 842 as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. The following table reconciles the undiscounted future minimum lease payments to the total operating lease liabilities recognized on the consolidated balance sheet as of April 30, 2020:

| Fiscal Years Ended April 30, | ($ in thousands) |
|---|---|
| 2021 | 1,432 |
| 2022 | 1,506 |
| 2023 | 1,597 |
| 2024 | 1,634 |
| 2025 | 1,429 |
| Thereafter | 3,838 |
| Total undiscounted future minimum lease payments | 11,436 |
| Less: difference between undiscounted lease payments & the present value of future lease payments | 2,019 |
| Total operating lease liabilities | $9,417 |

For the fiscal years ended April 30, 2020, 2019 and 2018, rental expenses were $1,499,000, $1,278,000 and $1,246,000, respectively.

## Note 10 — Disclosure of Credit Risk of Financial Instruments with Off-Balance Sheet Risk:

Other than EAM and the Value Line Funds as explained in Note 3 — Related Party Transactions, a single customer accounted for a significant portion of the Company's sales in fiscal 2020, 2019 or 2018, and its accounts receivable as of April 30, 2020 or 2019. During the twelve months ended April 30, 2020, 2019 and 2018, 31.4%, 20.5% and 17.7%, respectively, of total publishing revenues were derived from a single customer as explained in Note 17 — Concentration.

## Note 11 — Comprehensive Income:

The FASB's ASC Comprehensive Income topic requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that otherwise would not be recognized in the calculation of net income.

As of April 30, 2020 and April 30, 2019, the Company held equity securities consisting primarily of ETFs with high relative dividend yields that are classified as securities available-for-sale on the Consolidated Balance Sheets. As of April 30, 2020 and April 30, 2019 the Company also held fixed income securities consisting of certificates of deposits and securities issued by federal, state, and local governments within the United States that are classified as securities available-for-sale on the Consolidated Balance Sheets. The change in valuation of these securities, net of deferred income taxes, has been recorded in accumulated other comprehensive income in the Company's Consolidated Balance Sheets.

The components of comprehensive income that are included in the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ending April 30, 2020 are as follows:

| | Fiscal Year Ended April 30, 2020 | | |
|---|---|---|---|
| ($ in thousands) | Amount Before Tax | Tax (Expense)/ Benefit | Amount Net of Tax |
| Change in unrealized gains on securities | $(1,280) | $227 | $(1,053) |
| Add: Losses realized in net income | 581 | (151) | 430 |
| | $(699) | $76 | $(623) |

The components of comprehensive income that are included in the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ending April 30, 2018 are as follows:

| | Fiscal Year Ended April 30, 2019 | | |
|---|---|---|---|
| ($ in thousands) | Amount Before Tax | Tax (Expense)/ Benefit | Amount Net of Tax |
| Change in unrealized gains on securities | $1,133 | $(238) | $895 |
| | $1,133 | $(238) | $895 |

The components of comprehensive income that are included in the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ending April 30, 2018 are as follows:

| | Fiscal Year Ended April 30, 2018 | | |
|---|---|---|---|
| ($ in thousands) | Amount Before Tax | Tax (Expense)/ Benefit | Amount Net of Tax |
| Change in unrealized gains on securities | $437 | $8 | $445 |
| Less: Gains realized in net income | (152) | 32 | (120) |
| | $285 | $40 | $325 |

## Note 12 — Accounting for the Costs of Computer Software Developed for Internal Use:

The Company has adopted the provisions of the Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed for Internal Use". SOP 98-1 requires companies to capitalize as long-lived assets many of the costs associated with developing or purchasing software for internal use and amortize those costs over the software's estimated useful life in a systematic and rational manner. Such costs, when incurred, are capitalized and amortized over the expected useful life of the asset, normally 3 to 5 years.

The Company did not incur and did not capitalize expenditures related to third party programmers' costs or to the development of software for internal use during the twelve months ended April 30, 2020.

During the twelve months ended April 30, 2019 the Company capitalized $111,000 related to the third party programmers' costs. The Company did not incur and did not capitalize expenditures related to the development of software for internal use during the twelve months ended April 30, 2019 or April 30, 2018. Total amortization expenses for the years ended April 30, 2020, 2019 and 2018 were $65,000, $131,000 and $848,000, respectively.

## Note 13 — Treasury Stock and Repurchase Program:

On April 17, 2020, the Company's Board of Directors approved a share repurchase program authorizing the repurchase of shares of the Company's common stock up to an aggregate purchase price of $2,000,000. The repurchases may be made from time to time on the open market at prevailing market prices, in negotiated transactions off the market, in block purchases or otherwise. The repurchase program may be suspended or discontinued at any time at the Company's discretion and has no set expiration date.

Treasury stock, at cost, consists of the following:

| ($ in thousands except for cost per share) | Shares | Cost Assigned | Average Cost per Share | Aggregate Purchase Price Remaining Under the Program |
|---|---|---|---|---|
| Balance as of April 30, 2017[1], [2] | 288,335 | $3,781 | $13.11 | $609 |
| Purchases effected in open market[2] | 20,045 | $354 | $17.67 | — |
| Balance as of April 30, 2018 | 308,380 | $4,135 | $13.41 | $255 |
| Purchases effected in open market[2] [3] | 28,059 | $608 | $21.68 | — |
| Balance as of April 30, 2019 | 336,439 | $4,743 | $14.10 | $1,438 |
| Purchases effected in open market[2] [3] | 46,840 | $1,214 | $25.91 | — |
| Balance as of April 30, 2020 | 383,279 | $5,957 | $15.54 | $2,000 |

(1) Included 85,219 shares with a total average cost of $1,036,000 that were acquired during the former repurchase program, which was authorized in January 2011 and expired in January 2012; 18,400 shares were acquired prior to the repurchase program authorized in January 2011.

(2) Were acquired during the $3 million repurchase program authorized in September 2012.

(3) Were acquired during the $2 million repurchase program authorized in October 2018.

## Note 14 — Copyright Fees:

During the twelve months ended April 30, 2020, copyright fees of $12,671,000 were 70.4% above fiscal 2019. During the twelve months ended April 30, 2019, copyright fees of $7,437,000 were 16.8% above fiscal 2018. As of April 30, 2020, total third party sponsored assets were $8.6 billion, as compared to $6.1 billion in assets at April 30, 2019.

## Note 15 — Restricted Cash and Deposits:

Restricted Money Market Investment in the noncurrent assets on the Consolidated Balance Sheets at April 30, 2020 and April 30, 2019, includes $469,000, which represents cash invested in a bank money market fund securing a letter of credit ("LOC") in the amount of $469,000 issued to the sublandlord as a security deposit for the Company's new leased corporate office facility.

## Note 16 — Concentration:

During the twelve months ended April 30, 2020, 31.4% of total publishing revenues of $40,299,000 were derived from a single customer. During the twelve months ended April 30, 2019, 20.5% of total publishing revenues of $36,257,000 were derived from a single customer.

## Note 17 — Concentration of Credit Risk:

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At April 30, 2020 and 2019, the Company had $5,202,000 and $1,597,000, respectively, in excess of the FDIC insured limit. Management has concluded the excess does not represent a material risk, based on the creditworthiness of the counter parties.

## Note 18 — Business Segments:

The Publishing business segment, the Company's only reportable segment subsequent to December 23, 2010, produces investment periodicals and related publications (retail and institutional) in both print and digital form, and includes Value Line copyrights and Value Line Proprietary Ranking System results and other proprietary information.

As more fully described in Note 1 — Organization and Summary of Significant Accounting Policies, the Company deconsolidated its investment management business on December 23, 2010 and therefore no longer reports the investment management operation as a separate business unit. Although VLI continues to receive significant cash flows from these operations through its non-controlling investment in EAM, it no longer considers this to be a reportable business segment due to its lack of control over the operating and financial policies of EAM.

## Note 19 — Paycheck Protection Program Loan:

The Company recently executed a note and received a loan (the "PPP Loan") from JP Morgan Chase Bank under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration. In April 2020, the Company received the PPP Loan of $2,331,365. The proceeds from the PPP Loan will be used in accordance with the terms of the CARES Act program, as described further below.

The term of the PPP Loan is two years. The interest rate on the PPP Loan is 1.00%, which shall be deferred for the first six months of the term of the loan. Pursuant to the terms of the CARES Act, the proceeds of the PPP Loan may be used for payroll costs, mortgage interest, rent or utility costs. The promissory note evidencing the PPP Loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under such PPP Loan, collection of all amounts owing from the respective Borrowers, filing suit and obtaining judgment against the respective Borrower.

Under the terms of the CARES Act, Borrower can apply for and be granted forgiveness for all or a portion of the PPP Loan. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds in accordance with the terms of the CARES Act, as described above, during the period up to 24 weeks after loan origination and the maintenance or achievement of certain employee levels. No assurance is provided that a Borrower will obtain forgiveness under any relevant PPP Loan in whole or in part.

# Report of Independent Accountants

**HOROWITZ & ULLMANN, P.C.**
Certified Public Accountants

A member of the
AICPA Center for Audit Quality
New York State Society of CPAs
PCAOB registered

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and
Board of Directors of Value Line, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Value Line, Inc. (the "Company") as of April 30, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Horowitz & Ullmann, P.C.
We have served as the Company's auditor since 1996.

Horowitz & Ullmann, P.C.

New York, NY
July 27, 2020

# Miscellaneous

## Board of Directors

Stephen R. Anastasio
Vice President and Treasurer

Mary Bernstein
Director of Accounting and Secretary

Howard A. Brecher
Chairman and Chief Executive Officer

Stephen P. Davis
Retired Deputy Commissioner, New York City Police Department (NYPD)

Alfred Fiore
Retired Chief of Police, Westport, CT

Glenn Muenzer
Retired Special Agent, Federal Bureau of Investigation

## Miscellaneous

Independent Auditors,
Horowitz & Ullmann, P.C.

Transfer Agent and Registrar,
American Stock Transfer & Trust Company, LLC

NASDAQ Symbol, VALU

## Common Stock Performance

The Company's Common Stock is traded on NASDAQ under the symbol "VALU". The approximate number of record holders of the Registrant's Common Stock at April 30, 2020 was 33. As of April 30, 2020, the closing stock price was $30.98.

The reported high and low prices and the dividends declared on these shares during the past two fiscal years were as follows:

| Quarter Ended | High | Low | Dividend Declared Per Share |
|---|---|---|---|
| April 30, 2020 | $36.60 | $20.01 | $0.21 |
| January 31, 2020 | $36.31 | $19.62 | $0.20 |
| October 31, 2019 | $27.27 | $18.40 | $0.20 |
| July 31, 2019 | $29.49 | $20.86 | $0.20 |
| April 30, 2019 | $27.30 | $19.00 | $0.20 |
| January 31, 2019 | $30.64 | $17.12 | $0.19 |
| October 31, 2018 | $26.93 | $20.88 | $0.19 |
| July 31, 2018 | $25.14 | $18.93 | $0.19 |

The Board of Directors of Value Line at its July 2020 meeting declared an increased regular quarterly dividend of $0.21 per share, which was paid on August 11, 2020.

## Form 10-K

Stockholders may obtain a copy of Value Line, Inc.'s Form 10-K for fiscal year 2020, as filed with the Securities and Exchange Commission, without charge, by writing to: Secretary, Value Line, Inc., 551 Fifth Avenue, New York, NY 10176 or on our Website: http://www.valueline.com/About/InvestorRelation.aspx. Also available at www.sec.gov under the symbol VALU.

## Code of Ethics

The Company's Code of Business Conduct and Ethics that applies to its principal executive officer, principal financial officer, all other officers, and all other employees is available on the Company's website at http://www.valueline.com/About/Code_of_Ethics.aspx

Value Line®

**Value Line, Inc.**

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