

Research Note

Investors should consider this report as only a single factor in making their investment decision.

Super League Enterprise, Inc.

Rating: Speculative Buy

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September 14, 2023

SLE \$2.19 — (NASDAQ)

	2021 A	2022 A	2023 E	2024 E
Total Revenues (in millions)	\$11.7	\$19.7	\$25.9	\$37.3
Earnings (loss) per share	(\$13.89)	(\$18.95)*	(\$8.49)**	(\$3.48)
52-Week range	\$19.00 – \$1.70		Fiscal year ends:	December
Shares outstanding Estimated a/o 08/23/23	3.4 million		Revenue/shares (ttm)	\$10.45
Approximate float	2.5 million		Price/Sales (ttm)	0.2X
Market Capitalization	\$7.4 million		Price/Sales (2024) E	0.2X
Tangible Book value/shr	(\$0.39)		Price/Earnings (ttm)	NMF
Price/Book	NMF		Price/Earnings (2024) E	NMF

*All per share and share figures reflect a 1 for 20 reverse stock split effective on September 11, 2023 * Excludes (\$27.00) per share goodwill impairment charge ** Excludes a net (\$0.02) per share charge - goodwill impairment and positive warrant liability change*

Super League Enterprise, Inc., headquartered in Santa Monica, CA, is a strategically-integrated publisher and creator of in-game advertising brand programs within games and experiences across immersive digital platforms. The company provides a complete range of development, distribution, monetization, and optimization capabilities that are designed to engage users through digital advertising and branding programs with the goal of helping brands change their dot com experience.

Key Investment Considerations:

Maintaining Super League Enterprise, Inc. with a Speculative Buy rating and a 12-month price target of \$11.00, which unchanged from our initial report price target of \$0.55 per share but reflects the 1 for 20 reverse stock split effective on September 5, 2023.

This research note reflects the 1 for 20 reverse stock split effected by the company on September 11, 2023. On the same day the company's name changed to Super League Enterprise, Inc. along with having a new NASDAQ trading symbol of SLE. The company's prior symbol was SLGG.

The reverse stock split is intended to bring the company into compliance with the minimum bid price requirement to maintain the listing of the company's common stock on the Nasdaq Capital Market.

Management believes the new name better aligns with the full vision and potential for the company's proficiency in providing a scalable, vertically integrated publishing engine for the immersive web.

While our forecasts for 2023 and 2024 are unchanged from our initial report on September 5, 2023, the per share amounts reflect the 1 for 20 reverse stock split.

For 2023, we project a net loss per share of (\$8.49) on revenue growth of 31.5% to \$25.9 million.

For 2024, we project a net loss \$12.4 million or (\$3.48) per share on revenue growth of 44.1% to \$37.3 million.

Please refer to our initial report of September 5, 2023 for a more detailed analysis of our projections and price target.

Please view our Disclosures on pages 11 – 13.

Appreciation Potential

Maintaining Super League Enterprise, Inc. with a Speculative Buy rating and a 12-month price target of \$11.00, which unchanged from our initial report price target of \$0.55 per share but reflects the 1 for 20 reverse stock split effective on September 5, 2023.

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Please refer to our initial report of September 5, 2023 for a more detailed analysis of our projections and price target.

We believe Super League is most suitable for highly risk tolerant investors seeking exposure to an emerging growth company providing in-game advertising and branding programs for its customer brand partners and partnerships within immersive virtual worlds and virtual social gathering venues.

Overview

Super League Enterprise, Inc., headquartered in Santa Monica, CA, is a strategically-integrated publisher and creator of games and experiences across immersive virtual digital platforms. The company provides its customer brand partnerships (see chart on the right) with a complete range of development, distribution, monetization, and optimization capabilities that are designed to engage users through dynamic and energized programs. SLE utilizes its publishing engine technology for the immersive Web in order to help brands change their dot com experience.

Super League through their innovative solutions and integrated publishing engine provides at scale access to audiences who gather in immersive digital and virtual spaces to socialize, play, explore, collaborate, shop, learn and create.



The company's mission is to drive the creation, growth, and monetization of digital experiences across the wider virtual immersive Web landscape through its publishing engine technology and service offerings that was enhanced by the May 2023 acquisition of Melon (rebranded SL Studios). The company has its own and third-party virtual publishing worlds, experiences and destinations that provide marketing solutions for its customer brand partners.

The global immersive platforms used by SLE to accelerate its intellectual property and audience success for its digital advertising services include Roblox (the ultimate virtual universe where games are called experiences allows users to play and create games, and chat with others online within and immersive gaming, social media, and social commerce venue), Minecraft (a brand name for a sandbox video game with construction, crafting, exploration, and combat mechanics, available on many game platforms) and Fortnite (a player-versus-player game for up to 100 players, allowing one to play alone, in a duo, or in a squad) to the popular next generation Web environment platform such as Sandbox, LandVault, and Decentraland.

We anticipate the company will continue its development and deployment of its multiverse technology capabilities that are focus on publishing original and custom 2D and 3D worlds and experiences, providing marketing solutions for brands and advertisers, as well as tools and services for creators and builders across gaming platforms and applications across the immersive Web-based platforms. These actives should be enhanced by joining the Roblox's partner program in August 2023. This partner program should elevates SLE's offerings within the official Roblox advertising eco-system with immersive advertising. The benefits to joining the partner program include access to educational resources and training, along with tools and broader insights for brand onboarding.

Projections

The basis of our forecast and projects for 2023 and 2024 are unchanged from the initial report published on September 5, 2023. However, per share amounts have been updated to reflect the 1 for 20 reverse stock split effective on September 11, 2023.

Operations 2023

We project 31.5% total revenue growth to \$25.9 million reflecting 1H23 results, entering the seasonally strong second half period that should be enhanced by the May 2023 acquisition of SL Studios (formerly Melon, Inc.) and the August 2023 announcement of joining the Roblox partner program.

We forecast gross profit increasing 32.2% to nearly \$11.3 million from \$8.5 million in 2022 due primarily to revenue growth and gross margin improving to 43.5% from 43.2% last year.

We expect operating expenses decreasing to \$32.3 million (excluding a \$2.3 million impairment charge) from \$43.2 million (excluding a \$50.3 million impairment charge) in 2022. The reduction in core operating expenses reflects the company's ongoing cost reduction and streamlining initiatives. We anticipate selling, marketing and advertising expense decreasing to \$11.8 million from \$12 million last year. Engineering, technology and development expenses should decrease to \$9.9 million from \$15.9 million as operations are being optimized with reduced personnel and cloud-based services. We anticipate G&A expense decreasing to \$9.6 million from \$12.1 million in 2022 due primarily to lower personnel costs, as well as implementation of additional cost cutting initiatives.

In 1H23, the company reported contingent consideration expense of \$1 million and a charge related to impairment of goodwill of \$2.3 million. For the full year of 2022, the company reported contingent consideration expense of \$3.2 million and impairment of goodwill of \$50.3 million.

We project operating loss will narrow to \$21 million compared to an operating loss of \$34.7 million with both periods excluding goodwill impairment charges. The improvement reflects revenue growth, gross margin expansion, and operating expense margin (excluding goodwill impairment charges in each period) improving to 125% compared to 220% in 2022.

We anticipate non-operating income of \$1 million compared to an expense of \$696,000 in 2022. The current period includes a \$1 million positive change in fair value of warrant liability and \$24,000 in other, partly offset by interest expense of \$42,000. In the year-ago period interest expense was \$679,000 and \$17,000 in other expense.

We project a net loss of \$22 million or (\$8.49) per share, after applying an income tax benefit of \$313,000 on average shares of nearly 2.6 million reflecting the 1 for 20 reverse stock split. Our loss per share forecast includes approximately (\$0.40) related to goodwill impairment charge, partly offset by positive change in warrant liability.

Finances

We forecast 2023 cash burn of \$11.8 million and an increase in working capital of \$286,000 resulting in cash used in operations of \$12 million. Proceeds from the issuance of preferred stock of nearly \$12.1 million and net proceeds from a common stock offering of approximately \$2.3 million is likely to cover cash used in operations, capital expenditures, capitalized software development, cash used to acquire Melon, and repayment of debt. We anticipate cash increasing by \$636,000 to \$3.1 million at December 31, 2023.

Operations – 2024

We project total revenue growth of 44.1% to \$37.3 million reflecting a strong pipeline of customer partnership deals that should translate into SLE's eight member sales team generating (on average) at least \$4.3 million each in annualized sales. Additional revenue contribution should occur from nearly 30% growth to nearly \$2.8 million in direct to consumer sales.

We forecast gross profit increasing 58.8% to \$17.9 million from an estimated \$11.3 million in 2023 due primarily to revenue growth and gross margin expansion to 48% from an estimated 43.5% in 2023. Gross margin improvement

should occur as the company executes on higher margin recurring revenue type customer brand partnership projects compared to episodic marketing and advertising projects that last for short periods of time.

We expect core operating expenses to decrease by \$1 million to \$30.3 million from an estimated \$31.3 million (excluding goodwill impairment and contingent consideration) in 2023. We anticipate a continued reduction in selling, marketing and advertising expense to \$10.8 million from an estimated \$11.8 million in 2023 as the company streamlines its sales process and deepens its existing relationships. Also, engineering, technology and development expenses should decrease to \$9.7 million from an estimated \$9.9 million in 2023 reflecting the ability to leverage prior development programs into new customer deployments. Partly offsetting the decreases should be an increase in G&A expenses to \$9.7 million from an estimated \$9.6 million in 2023 to support revenue growth.

We project operating losses narrowing to \$12.4 million from an estimated \$20 million in 2023 (excludes goodwill impairment charge and contingent consideration expense). The improvement reflects revenue growth and operating expense margin improving to 81.2% compared to an estimated 124.8% excluding goodwill impairment. We anticipate non-operating income or expense to be zero compared to income of \$1 million in 2023.

We project a net loss of \$12.4 million or (\$3.48) per share on average shares of nearly 3.6 million, which reflects the 1 for 20 reverse stock split.

Finances

We forecast 2024 cash burn of \$3.4 million and a decrease in working capital of \$2.3 million resulting in cash used in operations of \$1.1 million. We estimate cash used in operations and capitalized software development costs will reduce cash by \$2.1 million to \$1 million at December 31, 2024.

Risks

In our view, these are the principal risks underlying the stock.

Operating Losses

Super League Enterprise, Inc. has not generated an operating profit. At June 30, 2023, the company's accumulated deficit was approximately \$224.8 million, up from \$85.8 million in 2019. Operating losses are likely to continue but diminish through our forecast period to \$12.4 million from \$20.7 million in 2019. The lack of operating profits could result in the company's inability to execute its growth strategy and diminish its operations. Common and preferred stock offerings have provided proceeds approaching \$95 million since 2019, which includes the most recent preferred stock offering of over \$12 million and common stock offering of approximately \$2.5 million.

Dilution

In 4Q22 and 1H23, SLE entered into subscription agreements with accredited investors in connection with the sale and issuance of a 19,892 shares of newly created convertible preferred stock. As of June 30, 2023, the common shares issuable upon conversion of the preferred stock and placement agent warrants is nearly 1.4 million (post-split) or 27.9 million (pre-split). In August 2023, Super League issued nearly 1 million common shares (post-split) or 19.5 million common shares (pre-split) for gross proceeds of approximately \$2.5 million in an underwritten public offering (includes over-allotment). We are not forecasting any additional capital raises, however, the company could fund its operations or acquisitions through additional financing activities that could dilute shareholders.

Potential Delisting

On October 4, 2022, the company received a letter from the Listing Qualifications Staff of The NASDAQ Stock Market indicating that, based upon the closing bid price of its common stock for 30 consecutive business days, it was not in compliance with the requirement to maintain a minimum bid price of \$1.00 per share for continued listing on Nasdaq Capital Market. On April 4, 2023, SLE received an extension notice letter granting an extension to October 2, 2023. SLE was required to notify NASDAQ of its intent to cure the minimum bid price deficiency by effecting a reverse stock split, if necessary.

Customer Concentration

In 2022, one customer accounted for 8% of revenue compared to 12% for one customer in 2021. In 1H23, one customer accounted for 11% of revenue compared to 36 for three customers in the year-ago period. The loss of or a substantial reduction in activity by one or more of the company's largest customers could materially and adversely affect operating results and financial conditions.

Integration of Acquisitions

Since 2021, the company has acquired multiple businesses. Future acquisitions could involve substantial investment of funds or financings, as well as resulting in related expenses and also the potential to either dilute the interests of existing shareholders or make significant earn-out payments. Future acquisitions may require management's time and effort to generate revenues and operating profits that could take away from existing operations.

Also, past and future acquisitions will likely have contractual or other obligations that could negatively impact the operating and financial condition of the combined company.

Technology

Rapid technology changes will require SLE to anticipate what it must be developed in order to take advantage of and remain competitive in both the content-creation and the delivery of in-game advertising. Investments involved in staying at the forefront of content creation and in-game advertising involve risks and uncertainties with no assurance that those technology investments be successful. If investments in new technologies are unsuccessful the company's reputation may be negatively impacted, as well as diminish its financial condition and operating results.

Intellectual Property

The company develops and owns various intellectual properties, including pending and issued trademarks, patents, and copyrights, as well as the obtaining of licenses to intellectual property with game publishers. Entering 2023, the company had one pending patent application and five issued patents, and various trademark applications. The inability to grow its patent portfolio or protect its existing patents or issued trademarks could be detrimental to the company's future operations.

Cyber Security

SLE's operations face cyber risks and threats that seek to damage, disrupt, and/or gain access to its networks and platform, supporting infrastructure, intellectual property, as well as other assets. Any failure to prevent, mitigate, or respond to security breaches could result in interruptions to the company's platform, degrade the user experience, cause users and creators to lose confidence its technology platforms, and incur legal and financial exposure.

Shareholder Control

Officers and directors collectively own or have a controlling interest in approximately 5.4% of the company's outstanding voting common stock and additionally one shareholder owns approximately 18.9% of the company's outstanding voting common stock as of a July 2023 Proxy filing. Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

Other Risk Factors

Investors should be aware of additional risk factors that should be considered. **An evolving revenue generation model** toward direct to consumer and longer-term digital advertising campaigns from the company's expanding user base. **Lack of definitive license agreements with game publishers** for the use of certain game titles played. These publishers currently permit integration of the specifications of the game titles within SLE's technology. A consequence of not having license agreements in place could be that game publishers unilaterally choose to discontinue their relationship with SLE, thereby preventing the company from offering experiences on its platform using their game titles. **Ability to follow laws and regulations.** In order for the company to comply with protecting children, it adopted the Children's Online Privacy and Protection Act of 1998 (that sets forth a number of restrictions on what Website operators can present to children under the age of 13 and what information can be collected from them). **Seasonality** can impact quarterly results. Quarterly revenue is generally higher in 2H of the year compared

to 1H, with 4Q typically representing the highest revenue quarter each year. All these other factors could negatively impact the company's operations that could diminish growth initiatives and financial results.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including third party, competition, operations, financial markets, regulatory, legislative, status as an emerging growth company, Web-based activities, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

Over the last three month ending September 13, 2023 was approximately 1.1 million. Super League has a float of approximately 2.5 million shares and outstanding shares of approximately 3.4 million as of August 23, 2023.

Super League Enterprise, Inc.
Consolidated Balance Sheets
FY2021 – FY2024E
(in thousands)

	FY21A	FY22A	2Q23A	FY23E	FY24E
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,533	\$ 2,482	\$ 2,569	\$ 3,118	\$ 1,040
Accounts receivable, net	6,328	6,134	5,226	5,894	4,866
Prepaid expenses and other current assets	1,334	1,381	1,083	1,113	820
Total current assets	22,195	9,997	8,878	10,124	6,726
Property and equipment, net	104	147	110	110	105
Intangible and other assets, net	24,243	20,066	16,152	12,783	8,664
Goodwill	50,263	-	1,864	1,864	1,864
Total assets	\$ 96,805	\$ 30,210	\$ 27,004	\$ 24,881	\$ 17,359
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	5,514	6,697	5,755	6,089	7,112
Accrued contingent consideration	-	3,206	1,485	1,500	1,625
Deferred revenue	76	111	269	-	-
Convertible note payable and accrued interest	-	679	-	3	3
Total current liabilities	5,590	10,693	7,509	7,592	8,740
Accrued contingent consideration	-	-	656	656	856
Warrant liability	-	-	1,764	1,764	1,764
Deferred taxes	518	313	-	-	-
Preferred stock, \$0.001 par value 10,000,000 shares authorized	-	-	-	-	-
Stockholders' equity:					
Common stock, \$0.001 par value; authorized 100,000,000 shares;	46	47	57	69	70
Additional paid-in capital	215,943	229,900	241,833	247,520	251,020
Retained earnings (accumulated deficit)	(125,292)	(210,743)	(224,815)	(232,720)	(245,090)
Total stockholders' equity	90,697	19,204	17,075	14,869	6,000
Total liabilities and stockholders' equity	\$ 96,805	\$ 30,210	\$ 27,004	\$ 24,881	\$ 17,359
Shares Outstanding - Common Stock	1,840	1,880	2,417	3,536	3,600
Preferred stock - outstanding	-	516	995	995	995

Common and preferred shares outstanding reflect the 1 for 20 reverse stock split effective September 11, 2023.

Source: Company reports and Taglich Brothers estimates

Super League Enterprise, Inc.
Annual Income Statement
FY2021 – FY2023E
(in thousands)

	<u>FY21 A</u>	<u>FY22 A</u>	<u>FY23 E</u>	<u>FY24 E</u>
Revenues	\$ 11,672	\$ 19,677	\$ 25,874	\$ 37,275
Cost of sales	<u>6,547</u>	<u>11,162</u>	<u>14,614</u>	<u>19,395</u>
Gross Profit	<u>5,125</u>	<u>8,515</u>	<u>11,260</u>	<u>17,880</u>
Operating Expenses:				
Selling, marketing and advertising	9,670	12,036	11,806	10,825
Engineering, technology and development	11,100	15,876	9,902	9,700
General and administrative	9,435	12,094	9,572	9,725
Contingent consideration	-	3,206	1,008	-
Impairment of goodwill	-	50,263	2,284	-
Total Operating Expenses	<u>30,205</u>	<u>93,475</u>	<u>34,572</u>	<u>30,250</u>
Operating Income (loss)	(25,080)	(84,960)	(23,312)	(12,370)
Interest (expense) income	(5)	(679)	(42)	-
Change in fair value of warrant liability	-	-	1,040	-
Gain on loan forgiveness	1,213	-	-	-
Other	<u>13</u>	<u>(17)</u>	<u>24</u>	<u>-</u>
Total Other Income (expense)	<u>1,221</u>	<u>(696)</u>	<u>1,022</u>	<u>-</u>
Pre-Tax Income (loss)	(23,859)	(85,656)	(22,290)	(12,370)
Income Tax Expense (Benefit)	<u>(3,111)</u>	<u>(205)</u>	<u>(313)</u>	<u>-</u>
Net income (loss)	<u>(20,748)</u>	<u>(85,451)</u>	<u>(21,977)</u>	<u>(12,370)</u>
Earning (loss) per share	<u>\$ (13.89)</u>	<u>\$ (45.95)</u>	<u>\$ (8.49)</u>	<u>\$ (3.48)</u>
Avg Shares Outstanding	1,494	1,859	2,588	3,553
Adjusted EBITDA	\$ (19,376)	\$ (21,825)	\$ (12,705)	\$ (3,370)
Margin Analysis				
Gross margin	43.9%	43.3%	43.5%	48.0%
Selling, marketing and advertising	82.8%	61.2%	45.6%	29.0%
Engineering, technology and development	95.1%	80.7%	38.3%	26.0%
General and administrative	80.8%	61.5%	37.0%	26.1%
Operating margin	(214.9%)	(431.8%)	(90.1%)	(33.2%)
Pre-tax margin	(204.4%)	(435.3%)	(86.1%)	(33.2%)
Tax rate	13.0%	0.2%	1.4%	0.0%
YEAR / YEAR GROWTH				
Total Revenues	465.5%	68.6%	31.5%	44.1%

Per share figures and average shares reflect the 1 for 20 reverse stock split effective September 11, 2023.

Source: Company reports and Taglich Brothers estimates

Taglich Brothers, Inc.

Super League Enterprise, Inc.
Income Statement Model
Quarters FY2022A – 2024E
(in thousands)

	1Q22 A	2Q22 A	3Q22 A	4Q22 A	FY22 A	Q1 23 A	Q2 23 A	Q3 23 E	Q4 23 E	FY23 E	Q1 24 E	Q2 24 E	Q3 24 E	Q4 24 E	FY24 E
Revenues	\$ 3,768	\$ 4,279	\$ 4,508	\$ 7,122	\$ 19,677	\$ 3,322	\$ 5,052	\$ 6,500	\$ 11,000	\$ 25,874	\$ 4,300	\$ 7,000	\$ 9,250	\$ 16,725	\$ 37,275
Cost of sales	1,909	2,458	2,719	4,076	11,162	1,948	2,911	3,705	6,050	14,614	2,345	3,710	4,810	8,530	19,395
Gross Profit	1,859	1,821	1,789	3,046	8,515	1,374	2,141	2,795	4,950	11,260	1,955	3,290	4,440	8,195	17,880
Operating Expenses:															
Selling, marketing and advertising	2,734	3,001	2,958	3,343	12,036	2,650	2,956	3,000	3,200	11,806	2,665	2,685	2,700	2,775	10,825
Engineering, technology and development	4,210	4,570	3,827	3,269	15,876	2,956	2,246	2,300	2,400	9,902	2,100	2,300	2,500	2,800	9,700
General and administrative	2,876	2,993	5,085	1,140	12,094	2,520	2,302	2,350	2,400	9,572	2,375	2,400	2,450	2,500	9,725
Contingent consideration	-	-	-	3,206	3,206	468	540	-	-	1,008	-	-	-	-	-
Impairment of goodwill	-	-	42,000	8,263	50,263	-	2,284	-	-	2,284	-	-	-	-	-
Total Operating Expenses	9,820	10,564	53,870	19,221	93,475	8,594	10,328	7,650	8,000	34,572	7,140	7,385	7,650	8,075	30,250
Operating Income (loss)	(7,961)	(8,743)	(52,081)	(16,175)	(84,960)	(7,220)	(8,187)	(4,855)	(3,050)	(23,312)	(5,185)	(4,095)	(3,210)	120	(12,370)
Interest (expense) income	(2)	23	(514)	(186)	(679)	(40)	(2)	-	-	(42)	-	-	-	-	-
Change in fair value of warrant liability	-	-	-	-	-	-	1,040	-	-	1,040	-	-	-	-	-
Gain on loan forgiveness	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1	-	(7)	(11)	(17)	24	-	-	-	24	-	-	-	-	-
Total Other Income (expense)	(1)	23	(521)	(197)	(696)	(16)	1,038	-	-	1,022	-	-	-	-	-
Pre-Tax Income (loss)	(7,962)	(8,720)	(52,602)	(16,372)	(85,656)	(7,236)	(7,149)	(4,855)	(3,050)	(22,290)	(5,185)	(4,095)	(3,210)	120	(12,370)
Income Tax Expense (Benefit)	(46)	-	-	(159)	(205)	-	(313)	-	-	(313)	-	-	-	-	-
Net income (loss)	(7,916)	(8,720)	(52,602)	(16,213)	(85,451)	(7,236)	(6,836)	(4,855)	(3,050)	(21,977)	(5,185)	(4,095)	(3,210)	120	(12,370)
Earning (loss) per share	\$ (4.30)	\$ (4.72)	\$ (28.14)	\$ (8.63)	\$ (45.95)	\$ (3.84)	\$ (3.38)	\$ (1.67)	\$ (0.86)	\$ (8.49)	\$ (1.46)	\$ (1.15)	\$ (0.90)	\$ 0.03	\$ (3.48)
Avg Shares Outstanding	1,842	1,847	1,869	1,879	1,859	1,886	2,025	2,900	3,540	2,588	3,545	3,550	3,555	3,560	3,553
Adjusted EBITDA	\$ (5,514)	\$ (6,314)	\$ (7,119)	\$ (2,878)	\$ (21,825)	\$ (5,060)	\$ (3,840)	\$ (2,805)	\$ (1,000)	\$ (12,705)	\$ (2,935)	\$ (1,845)	\$ (960)	\$ 2,370	\$ (3,370)
Margin Analysis															
Gross margin	49.3%	42.6%	39.7%	42.8%	43.3%	41.4%	42.4%	43.0%	45.0%	43.5%	45.5%	47.0%	48.0%	49.0%	48.0%
Selling, marketing and advertising	72.6%	70.1%	65.6%	46.9%	61.2%	79.8%	58.5%	46.2%	29.1%	45.6%	62.0%	38.4%	29.2%	16.6%	29.0%
Engineering, technology and development	111.7%	106.8%	84.9%	45.9%	80.7%	89.0%	44.5%	35.4%	21.8%	38.3%	48.8%	32.9%	27.0%	16.7%	26.0%
General and administrative	76.3%	69.9%	112.8%	16.0%	61.5%	75.9%	45.6%	36.2%	21.8%	37.0%	55.2%	34.3%	26.5%	14.9%	26.1%
Operating margin	(211.3%)	(204.3%)	(1155.3%)	(227.1%)	(431.8%)	(217.3%)	(162.1%)	(74.7%)	(27.7%)	(90.1%)	(120.6%)	(58.5%)	(34.7%)	0.7%	(33.2%)
Pre-tax margin	(211.3%)	(203.8%)	(1166.9%)	(229.9%)	(435.3%)	(217.8%)	(141.5%)	(74.7%)	(27.7%)	(86.1%)	(120.6%)	(58.5%)	(34.7%)	0.7%	(33.2%)
Tax rate	0.6%	0.0%	0.0%	1.0%	0.2%	0.0%	4.4%	0.0%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
YEAR / YEAR GROWTH															
Total Revenues	378.2%	294.7%	25.0%	15.0%	68.6%	(11.8%)	18.1%	44.2%	54.5%	31.5%	29.4%	38.6%	42.3%	52.0%	44.1%

Per share figures and average shares reflect the 1 for 20 reverse stock split effective September 11, 2023.

Source: Company reports and Taglich Brothers estimates

Super League Enterprise, Inc.
Cash Flow Statement
FY2021 – FY2023E
(in thousands)

	<u>FY2021A</u>	<u>FY2022A</u>	<u>6 Mos. 23A</u>	<u>FY2023E</u>	<u>FY2024E</u>
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (20,748)	\$ (85,451)	\$ (14,072)	\$ (21,977)	\$ (12,370)
Depreciation and amortization	3,323	5,403	2,679	5,400	5,450
Stock-based compensation	2,381	4,263	1,532	3,250	3,500
Impairment of goodwill	-	50,263	-	-	-
Write off of intangible asset	-	423	2,284	2,284	-
Amortization of convertible notes discount	-	280	40	40	-
Change in fair value of warrant liability	-	-	(1,040)	(1,040)	-
Change in fair value of contingent consideration	-	-	286	286	-
Gain on loan forgiveness	(1,213)	-	-	-	-
Change in valuation allowance	(3,073)	-	-	-	-
Cash earnings (burn)	<u>(19,330)</u>	<u>(24,819)</u>	<u>(8,291)</u>	<u>(11,757)</u>	<u>(3,420)</u>
<i>Changes In:</i>					
Accounts receivable	(4,270)	193	944	240	1,027
Prepaid expenses and other current assets	(348)	182	174	268	293
Accounts payable and accrued expense	1,328	1,402	(1,131)	(608)	1,022
Accrued contingent consideration	-	3,206	(2,153)	-	-
Deferred revenue - contract liabilities	(54)	35	158	158	-
Deferred taxes	(38)	(205)	(313)	(345)	-
Accrued interest on notes payable	5	180	(180)	-	-
(Increase)/decrease in Working Capital	<u>(3,377)</u>	<u>4,993</u>	<u>(2,501)</u>	<u>(286)</u>	<u>2,342</u>
Net cash provided (used in) Operations	<u>(22,707)</u>	<u>(19,826)</u>	<u>(10,792)</u>	<u>(12,043)</u>	<u>(1,078)</u>
<i>Cash Flows from Investing Activities</i>					
Cash acquired in connection with Moberush acquisition	586	-	-	-	-
Cash paid in connection with Melon acquisition, net	-	-	(150)	(150)	-
Cash paid in connection with Bannerfy acquisition, net	(497)	-	-	-	-
Cash paid in connection with Super Biz acquisition, net	(3,000)	-	-	-	-
Purchase of property and equipment	(22)	(149)	(8)	(16)	(10)
Purchase of third-party game properties	-	(500)	-	-	-
Capitalization of software development costs	(1,065)	(923)	(483)	(975)	(990)
Acquisition of other intangible and other assets	(205)	(118)	(11)	(11)	-
Cash flow provided (used in) Investing Activities	<u>(4,203)</u>	<u>(1,690)</u>	<u>(652)</u>	<u>(1,152)</u>	<u>(1,000)</u>
<i>Cash Flows from Financing Activities</i>					
Proceeds from issuance of preferred stock, net of issuance costs	-	8,926	12,070	12,070	-
Proceeds from issuance of common stock, net of issuance costs	33,390	320	-	2,300	-
Proceeds from note payable	-	4,000	-	-	-
Payments on convertible notes	-	(3,781)	(539)	(539)	-
Proceeds from stock option exercises	111	-	-	-	-
Net cash provided (used) by Financing	<u>33,501</u>	<u>9,465</u>	<u>11,531</u>	<u>13,831</u>	<u>-</u>
Net change in Cash and restricted cash	6,591	(12,051)	87	636	(2,078)
Cash and restricted cash Beginning of Period	<u>7,942</u>	<u>14,533</u>	<u>2,482</u>	<u>2,482</u>	<u>3,118</u>
Cash (and restricted) End of Period	<u>\$ 14,533</u>	<u>\$ 2,482</u>	<u>\$ 2,569</u>	<u>\$ 3,118</u>	<u>\$ 1,040</u>

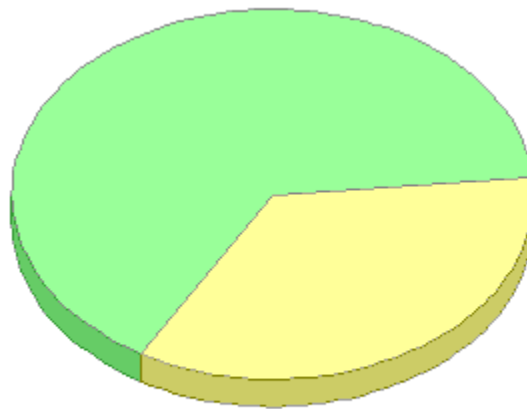
Source: Company reports and Taglich Brothers estimates

Price Chart

Closing Price Sep 13, 2023: \$2.19



Taglich Brothers Current Ratings Distribution



65.22 % Buy | 34.78 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	4	22
Hold		
Sell		
Not Rated		

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Amazon.com, Inc. (AMZN)

Meta Platforms, Inc. (NASDAQ: META)

Roblox Corporation (NYSE: RBLX)

Comcast Corporation (NASDAQ: CMCSA)

Paramount Global (NASDAQ: PARA),

Spotify Technology S.A. (NYSE: SPOT)

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Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

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Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

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