

Initial Research Report

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

Super League Gaming, Inc.

Rating: Speculative Buy

Howard Halpern

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SLGG \$0.12 — (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	(\$0.69)	(\$0.95)*	(\$0.40)**	(\$0.17)
52-Week range	\$0.95 – \$0.11		Fiscal year ends:	December
Shares outstanding Estimated a/o 08/23/23	68.1 million		Revenue/shares (ttm)	\$0.52
Approximate float	65.9 million		Price/Sales (ttm)	0.2X
Market Capitalization	\$8.2 million		Price/Sales (2024) E	0.2X
Tangible Book value/shr	(\$0.02)		Price/Earnings (ttm)	NMF
Price/Book	NMF		Price/Earnings (2024) E	NMF

* Excludes (\$1.35) per share goodwill impairment charge ** Excludes a net (\$0.02) per share charge - goodwill impairment and positive warrant liability change
 Super League Gaming, 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:

Initiating Super League Gaming with a Speculative Buy rating and 12-month price target of \$0.55 per share.

Super League has substantial growth potential for its integrated end-to-end in-game advertising and branding technology platform programs within games and experience across immersive virtual world gaming and social gathering venues. The in-game digital advertising market is projected to reach \$46 billion by 2027, up from an estimated \$33 billion in 2023 for annualized growth of 9.1%.

Supporting our growth forecast and operational leverage forecasts is the May 2023 acquisition of Melon, Inc. (rebranded SL Studios), joining the Roblox (a virtual universe technology platform) partner program, and streamlining initiatives that positions SLGG to develop new customer brand partnerships and deepen existing relationships.

As Melon, SL Studios developed award winning programs for customer brand partners such as the NFL, Chipotle, American Girl, Clarks, and Dave & Buster's. The benefits of joining the Roblox partner program include gaining access to a wider audience reach in order for SLGG to sell its immersive experiences and dynamic marketing content along with Roblox's own ad inventory, as well as receive customer brand referrals.

For 2023, we project a net loss per share of (\$0.40) on revenue growth of 31.5% to \$25.9 million reflecting 1H23 results and entering the seasonally strong second half with a strong pipeline of customer deployments.

For 2024, we project a net loss \$12.4 million or (\$0.17) per share on revenue growth of 44.1% to \$37.3 million reflecting a strong pipeline of customer partnership deals translating into SLGG's eight member sales team generating at least \$4.3 million each in annualized sales along with nearly \$2.8 million from direct to consumer sales. The narrowing of our loss forecast reflects ongoing cost cutting initiatives that should provide operating leverage. Operating expense margin should improve to 81.2% from an estimated 124.8% (excludes goodwill impairment). Gross margin should improve to 48% from 43.5% in 2023.

Please view our Disclosures on pages 17 – 21.

Appreciation Potential

Initiating Super League Gaming, Inc. with a Speculative Buy rating and 12-month price target of \$0.55 per share. Our rating and price target reflects the company's ability to leverage its customer brand partners such as Kraft, Mattel, Chipotle, Clarks, Disney, Netflix, Dave & Buster's, and PacSun. Further support should occur from recent virtual world deployments and campaigns such as the Roblox partnership program, Hamilton the Broadway Show, and programs in the UAE specific to virtual tourism through its partnership with LandVault (includes the August 2023 launch on Roblox of Yas Island Tycoon a popular vacation destination) that should begin to tilt revenue towards annual sales compared to episodic sales, which overtime should reduce seasonality and increase margins. In addition, the May 2023 acquisition of Melon, Inc. (rebranded SL Studios) should help continue driving publishing and content studio sales. In just two months, SL Studios drove 2Q23 publishing and content studio sales to \$1 million (a 258% increase versus 2Q22), as well as comprising 20% of quarterly sales.

Joining the Roblox partner program should provide benefits that include having access to their audience reach in order for SLGG to sell its immersive experiences and dynamic marketing content along with Roblox's own ad inventory, as well as receive customer brand referrals.

Our 12-month price target of \$0.55 per share implies shares could increase more than four-fold over the next twelve months. According to finviz.com, the average price-to-sales multiple for companies in the electronic gaming and multimedia, internet content and information, and application software sectors is 2.8X, compared to Super League's trailing price-to-sales multiple of 0.2X. We anticipate investors are likely to accord SLGG a multiple at the midpoint between the sector and its trailing price-to-sales multiple due to projected sales growth of 44.1% in 2024. We applied a price-to-sales multiple of 1.5X to our 2024 sales per share forecast of \$0.52, discounted for execution risks and dilution from the exercise of preferred stock and common stock offering, to obtain a year-ahead price target of approximately \$0.55 per share.

SLGG's valuation should improve as it reports revenue growth, a narrowing of operating losses, and reduced cash burn. We forecast revenue growth of 44.1% to \$37.3 million in 2024 from an estimated \$25.9 million in 2023. We anticipate the company reducing its operating losses and swing to an operating profit of \$120,000 in 4Q24 from an estimated operating loss of \$3.1 million in 4Q23. In 2024, SLGG's cash burn should narrow to \$3.4 million from estimated cash burn of \$11.8 million in 2023.

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 Gaming, 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. SLGG 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 SLGG 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 SLGG'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.

History

In October 2014, the company was incorporated as Nth Games, Inc., and in June 2015 its name was changed to Super League Gaming, Inc. In 2016, after securing strategic partnerships with the publishers of top-tier game titles, SLGG established city league consisting of 16 teams based in various US cities built around Minecraft, League of Legends and Clash Royale. In 2017, it migrated its offerings to a cloud-based technology platform for scale while continuing to build and establish the Super League Gaming brand. During that time, Super League developed intelligent technology in order to facilitate personalized experiences and matchmaking for gamers, and audience-targeted gameplay broadcasting content at scale.

In February 2019, Super League Gaming, Inc., completed its initial public offering, which raised net proceeds of approximately \$22.5 million after underwriting discounts, commissions and other offering costs. After the initial public offering share of the company began trading on the Nasdaq Capital Market under the symbol SLGG. During September 2023, the company will allow shareholders to vote on a name change to Super League Enterprise, Inc. (with a newly proposed symbol SLE) in order to better align with the full vision and potential for the company's proficiency in providing a scalable, vertically integrated publishing engine for the immersive Web.

Platforms

Super League designs, builds, and provides the platforms for a creator and players' journey in a virtual immersive Web-based gaming venue in order to provide innovative ways for brands and advertisers to engage with those creator and player audiences. SLGG accesses players and creators through their network of virtual digital game worlds and content channels. Super League's proprietary cloud-based platforms combine its advertising technology and brand publishing engine, metaverse game experience, and technology to run tournaments, as well as fully remote production and livestream broadcast technology. Additional platform offerings include enabling digital tools for scale that will allow for data service analytics, search engine optimization, and email and mobile marketing.

SLGG has develop and integrated acquisitions into proprietary suite of metaverse media products and analytics that connects brands and advertisers to hundreds of Roblox games and own extensive Minecraft audiences. Through this technology, SLGG partners with game developers to bring innovative advertising inventory and custom brand experiences into virtual game world venues, allowing developers to participate in the advertising economy and benefit from the data analytics that are continually being collected and used to enhance players' experiences.

Through the company's owned and partner platforms and virtual immersive Web venues its customer brand advertisers can reach tens of millions of monthly metaverse players in-game through a distributed game world network and hundreds of millions of viewers in-stream distributed across social media channels including YouTube,

TikTok and Instagram. This enables Super League to strategically customize brand integrations and content that provides a client with campaign analytics and insights to gain insight on brand awareness and the impact on consumers. The company's technology platforms provide its customer brand partners turnkey metaverse advertising products that are a progressive and differentiated way for advertisers to embed natively into games through dynamic digital billboards, interactive 3-D characters, and portals to gain access to their target demographic audience by enhancing the gaming experience without interrupting the play itself.

Super League's digital billboard offering provides impressions that are ten seconds of cumulative view time within a virtual immersive Web-based game, experience, and/or social venue. The offering ensures the digital billboard is view by providing advanced technology that observes if ads are on screen, unobstructed, meet a screen coverage threshold, and other requirements set by Interactive Advertising Bureau.

The gaming content and media network platforms that have been built by the company provide expanded marketing and advertising opportunities to customer brand partners include consumer facing digital properties and prominent customer brand partner and creator facing digital properties, which are detailed below:

Minehut: Attracts younger gamers and creators. It is a social and gaming portal and one of the largest server farms for advanced, avid Minecraft players in the world. Players create their own Minecraft worlds to share, socialize, and play with friends in addition to Super League operated communal game lobbies for enhanced gaming and social experiences that serve as a portal for branded experiences and advertising.

Mineville & Pixel Paradise: A relationship with Microsoft (owner of Minecraft) where SLGG operates two additional Minecraft server worlds for more casual players. The company's is two of only seven partner servers with Microsoft. The strategic benefit is that while it is free to play, revenue is generated as players make in-game micro transactions, such as gameplay passes and durable goods that run through the Microsoft marketplace.

Super League Arcade & ABX: This venue is an owned and operated game world(s) in Roblox. These are open-world games targeted to more competitive esports gamers and anime enthusiasts. These game worlds attract targeted players and offer a channel for brands and advertisers, along with in-game player transactions.

Framerate: A social video network in gaming that generates tens of millions of monthly views, with multiple channels across social media, primarily Instagram and Tik Tok. The target demographic is young-adult gamers and creators where Framerate enables gamers to submit their own user-generated highlight reel for recognition, and channels for SLGG to package and monetize to meet advertisers' objectives.

Super Games: A game creation resource in virtual world game platforms. The company's Super Games publishing capability provides custom game experiences within its owned and affiliate game worlds.

Super Biz: Houses the company's proprietary suite of metaverse media products and analytics connecting brands and advertisers to hundreds of Roblox games and its extensive Minecraft audiences. Through SLGG's technology, it can partner with game developers to bring innovative advertising and marketing inventory, as well as customized brand experiences into game worlds.

SL Studios: A fully virtual production studio (includes the May 2023 acquisition of Melon) that provides state-of-the-art, scalable solutions for video, television, and branded content, which is powered by its patented technologies.

Super Mob: Was developed to have an experience and pool of gaming influencers, both on and off platform. This platform enables the SLGG to maximize campaign objectives and obtain a greater share of advertisers' wallets since this offering rounds out its complete end-to-end package of platform and customer brand partner solutions, which should increase related revenue generating opportunities.

The company's technology platforms have evolved through the addition of a virtual control room with remote monitoring and communications and enhanced broadcast-level graphics, for an end-to-end, cloud-based production system built around SL Studio's proprietary workflow.

Growth Strategy

Super League's core growth strategy revolves around expanding virtual digital in-game advertising opportunities for its customer brand partners through its expanding technology platforms and network of immersive game experience venues, which resides within the global metaverse (the next iteration of the internet). The metaverse market is projected to exceed \$936 billion by 2030 from an estimated \$82 billion in 2023. The metaverse has at least 400 million active monthly users that engage on gaming platforms such as Roblox, Fortnite, and Minecraft.

SLGG's revenue growth strategy is to monetize audience reach within its existing metaverse (open-world) game platforms. This should be accomplished through acquisition, partnerships, and increasing deployment of virtual immersive worlds through customer brand partner relationships reflecting the application of the company's smart technology backbone to extended reach and diversification of revenues.

Partners

The company should continually be developing and engaging with partners to build its offerings to a larger audience that should be key to obtaining new customer brand partners and deepening relationships with existing customers. In 2023, two significant partnerships achieved were with Roblox and LandVault.

In August 2023, SLGG announced it joined the Roblox partner program that should support the company's revenue growth through our forecast period by leveraging its customer brand partnerships. Super League's customer offerings will include the official Roblox advertising system with immersive ads. This deeper relationship with Roblox should enable SLGG to reach the audiences on Roblox, a global immersive platform where over 66 million people connect and communicate daily. Additional benefits of joining the Roblox partner program include having access to their audience reach in order for SLGG to sell its immersive experiences and dynamic marketing content along with Roblox's own ad inventory, as well as receive customer brand referrals.

In April 2023, the company formed a strategic partnership with LandVault (the largest construction company in the metaverse) to create an alliance to provide brands with scalable solutions and bridge the gap between Web2 and Web3. The partnership launched programs in the UAE specific to virtual tourism, which is likely to be a year-long deployment. The company sees this partnership bringing significant opportunities in this vertical and others across the greater Gulf Cooperation Council countries (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman).

New Engagements

The company is striving to build longer-term customer engagements compared to episodic or short-term campaigns. The strategy is to develop year-long engagements with new and existing customer compared to month long engagements. If successful this strategy should reduce seasonality, enhance margins through better leverage utilization, and build even stickier relationships.

On August 10, 2023, Super League announced a long-term engagement with the launch of a new virtual immersive experience called the Hamilton Simulator on Roblox. The Hamilton simulator brings the Broadway show's groundbreaking music to life in an entirely new way. Through innovative design and iconic, artistic set pieces, new and existing fans can immerse themselves into an adventure inspired by history with themed activities and interactive discovery of the magic of Hamilton along with the ability to transport users into different zones, each referencing signature locations from the musical. The relationship with the producer of Hamilton is a strategy to show how the company can drive a longer term engagement that should help drive new audiences to see the show live and in person. Initial results show that the Hamilton virtual world experienced 100,000 visits in the first day alone with an average play session of 27 minutes with the press having fueled interest with 429 pieces of coverage reaching an audience of 6.5 billion.



On August 24, 2023, Super League announced the Abu Dhabi Entertainment Destination Yas Island launched on the Roblox virtual technology platform. This virtual world deployment brings to life Yas Island, the world-renowned leisure and entertainment destination located in Abu Dhabi. This engagement design and narrative play users a journey through key Abu Dhabi landmarks on Yas Island and beyond, including SeaWorld Yas Island, Abu Dhabi, Yas Marina Circuit, Etihad Park, and Aldar Square. It also show users an area in Abu Dhabi dedicated to Louvre Abu Dhabi, Mamsha Al Saadiyat, Sir Bani Yas Island, Al Ain Oasis and Al Jahili Fort. The attractions within this virtual immersive environment are situated across a space representing 15 square miles in the real-world that enables exploration and interaction within a socially-engaging world, fostering entertainment, education, and cultural immersion.



Acquisition Strategy

The company seeks to acquire companies and assets in accretive transactions in order to increase its technology offerings, customer base, and virtual world platforms.

2021 Acquisitions

Bloxbiz, an ad platform designed for metaverse environments, which enables brands to advertise across popular Roblox game titles and helps Roblox creators with monetization and game analytics. **Mobcrush**, a live streaming technology platform, where gaming influencers generate and distribute original content across the most popular live streaming and social media platforms. **Bannerfy**, an intelligent technology platform enabling digital video and live streaming creators the ability to collaborate with tier one sponsors on social media channels.

2023 Acquisition

Melon (rebranded into SL Studios), a development studio that builds virtual worlds in partnership with consumer brands across music, film, television, and sports, as well as fashion and youth culture. This acquisition positions the company as a one-stop solutions provider and strategic operating partner for marquee brands and businesses seeking to expand and activate communities throughout the gaming metaverse and immersive Web. Melon has developed and creating one-of-a-kind experiences within Roblox, having worked with brands including the NFL, Chipotle, Mattel, Clarks, Dave & Buster's, and PacSun. They were the first company to bring a music event to life on Roblox, and was the first independent studio to create an avatar-based music performance on the platform.

Longer-term

Super League's longer term strategy includes providing customers with data analytics and targeted demographics of users. Also, it intends to develop focus groups for its customer brand partners in order for them to gain insights and feedback prior to a product or brand launch in the physical world. This type of offering will be designed to save a customer brand partner time and investment dollar prior to a product or brand launch in the physical world.

Other long-term strategic objectives includes deepening its owned game worlds in order to grow direct to consumer revenues, increase average advertiser deal-size in term of budget and length of engagement by using its publishing, media and creator tool suite. Seek to expand its international audience through development a global network of sales partnerships and begin applying the company's end-to-end immersive experience and media engine to new platforms in order to gain greater control and share of the consumer experience, digital economy, digital to physical crossover, and first-party data.

Projections

Basis of Forecast

Our forecast reflects the revenue generating opportunities from the company's ability to obtain new customer brand partners, deepen relationships with existing customer brand partners, and creation of advertising and branding monetization programs. We anticipate SLGG continuing to develop advertising and brand program for its customers within immersive virtual game worlds and social gathering venues. The programs being deployed will be for the

highly sought-after demographic of Generation Z (11 to 26 year olds) and Alpha (born after 2012) audiences which are difficult to reach due to the fragmentation of content distribution channels, ad-blocking technology, and a sentiment against overt marketing and promotion. Super League's technology offerings should provide its customers the capability to aggregate a diverse, global user base across young age ranges, skill levels, and game genres and embed direct authentic branded product placements within virtual world to generate revenue from customer brand partner campaigns.

Our forecast includes the company's growing pipeline of larger campaign deal sizes. Entering 2H23, SLGG has booked four deals in excess of \$1 million compared to one deal of that size last year. The company has more seven-figure deals in their conversion pipeline. The deal win rate exceeds 50%.

In 2002, the company's highest-performing sales executive was annual sales of \$3 million. In 2023, trends indicate as SLGG's sales team is becoming more experienced, top sales executive are reaching between \$4 million to \$5 million in annual sales capacity. If all of the company's eight person domestic sales team reached this benchmark revenue for 2024 could reach between \$32 million and \$40 million, which doesn't include potential revenue from international resellers, direct to consumer sales, as well as business development partnerships from joining the Roblox partner program.

We are not forecasting (only recording what SLGG reports) income tax expense as the company has US federal, state, and foreign net operating loss carryforwards of approximately \$118.3 million, \$104.9 million, and \$985,000, respectively, expiring through 2037. Also, we are not forecasting contingent consideration expense, only recording what the company reports.

Economy

In July 2023, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3% for 2023 and 3% for 2024. In April 2023, the IMF's prior projections called for growth of 2.8% in 2023 and 3% growth in 2024. The forecast reflects an anticipated decline in global inflation, partly offset by a tightening of monetary policy resulting in higher global interest rates.

The IMF revised its economic growth estimate for the US to an increase of 1.8% for 2023 and 1% for 2024. In April 2023, the IMF projected US economic growth of 1.6% and 1.1% for 2023 and 2024, respectively.

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,

Super League Gaming, Inc.

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 (\$0.42) per share, after applying an income tax benefit of \$313,000 on average shares of \$44.8 million. Our loss per share forecast includes approximately (\$0.02) 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 SLGG'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 (\$0.17) per share on average shares of nearly 71.1 million.

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.

Brand Programs

The company deploys its advertising and marketing technology platform offerings for its customer brand partners on Roblox, Sandbox, and Decentraland. Roblox's virtual world platforms are designed to reimaging the way people come together so that every day, tens of millions of people around the world connect, communicate and explore

millions of immersive experiences together with their friends. All of these experiences are built by the Roblox community, made up of millions of creators. The Sandbox is a virtual world where globe players can build, own, and monetize their gaming experiences. In addition to gaming experiences, Sandbox provides social hubs where players can meet and make friends as they explore virtual experiences. Decentraland is a decentralized virtual reality platform where users can create, experience, and monetize their content and applications.

Two successfully deployed brand programs were from customer brand partners Mattel and Chipotle.

SLGG leveraged the power of Roblox's to bring Mattel's Barbie's 60th Anniversary of her Dream House to an immersive Web-based audience of Barbie Lovers, while engaging in innovative and uniquely interactive in-game experiences that generated purchases in real life. In celebration of Barbie Dreamhouse's 60th anniversary, Barbie became one of the latest Mattel brands integrated into the Roblox universe. The company's Barbie Dreamhouse in the Roblox universe was launched in October 2022. The Barbie Livetopia experience celebrates her Dreamhouse and 60 years of giving dreams a home. SLGG's role play style game within Roblox featured an epic party where players immersed themselves in a virtual representation of the playset and explored various floors. The Barbie Livetopia collaboration offered players the chance to explore exciting features and the many iterations of Barbie. Custom non-player characters (NPCs) represented different characters including Barbie and her friends that the community can interact with in fun, playful activities. Barbie Livetopia, within Roblox is a top 3 role play style game, and top 10 overall. Role play style games allow players to choose a role, own their outfits, and engage in jobs. These game modes are most popular among audiences ages 6-12, particularly girls. The collaboration with Super League provided integration connecting brand stories and products, encouraging engagements and experiences to promote real-world doll play.

The results of the Barbie's Dreamhouse 60th anniversary thirty-day deployment to a global audience resulted in over 60 million visits to the Dreamhouse with 81% more likely to prefer Barbie over the competition and a 117% increase in the likelihood of recommending Barbie, as well as 70% above average time spent in the game. Most importantly, the estimated value delivered to Mattel was approximately \$688,000 compared to a budget of \$200,000.

The company's SL Studios (formerly Melon, Inc.) a game development studio and innovators in creating valuable partner solutions is the second example of what the company should be able to accomplish for its customer brand partners. In 2022, there was a Chipotle activation deployment that proved immersive game experiences can be a driver for downloading apps and increasing retail foot-traffic. The brand program was to celebrate Halloween and National Burrito Day. A Halloween experience was created where the first 30,000 players who entered the virtual Chipotle restaurant maze to unlock the secret 'Boorito' word receiving a code on their phone for a free in real life burrito. This brand program and experience resulted in the highest digital Chipotle app download day ever. To celebrate National Burrito Day, the first 100,000 players to roll a Chipotle burrito in the Burrito Builder experience received a free burrito resulting in the second highest mobile sales day ever. These digital to physical crossover campaigns delivered over 24 million visits to the Boorito and Burrito Builder experiences with 14 minutes in player time in Burrito Builder (which is more than typical time spent in a real life Chipotle store). The program generated approximately 4.6 billion total impressions.

Having SL Studios incorporated into the company's end-to-end solutions offerings should help drive additional customer brand partnerships to seek to drive immersive game player into the real in person environment to spend money on real products experienced in the virtual game world. We anticipate these two examples should help drive future brand program to have increased budgets and occur over longer periods of time, which could translate into diminishing historical seasonal revenue trends for the company and increase operating leverage by reducing deployment times.

Market Briefs

Digital and In-Game Advertising and Marketing

In March 2023, ResearchAndMarkets published a report on the global market for digital advertising and marketing that projects revenue to reach \$1.5 trillion by 2030, up from an estimated \$531 billion in 2022 for annualized growth of 13.9%. The digital advertising and content creation should account for \$560 billion with over \$939 billion comprised of hardware sales.

While Statista (provider and data and market statistics) predicts revenue for in-game digital advertising to reach \$46 billion by 2027, up from an estimated \$33 billion in 2023 for annualized growth of 9.1%, Market Research Future publish a report (in August 2023) indicating that global in-game advertising would reach \$20.7 billion in 2032, up from \$7.3 billion in 2022 for annualized growth of 11%. The growth and market forecast reflects growing popularity of social and mobile gaming and advantages like inexpensive advertising, greater reach and return on investment, quick integration, and straightforward ad settings in social gaming.

Metaverse

An article published by Influencer Marketing Hub, indicated that global metaverse market could reach over \$936 billion by 2030, up from an estimated \$82 billion in 2023. The article (published in July 2023) estimated that the metaverse has in excess of 400 million active users every month, many are young teenagers with the most popular destinations being immersive games on Roblox, Fortnite, and Minecraft. It is anticipated that most companies investing in the metaverse have identified big companies, men, and Gen Z as their primary target audience.

In 2022, MarketAndMarkets published a report indicating the global metaverse market should grow annually by 47.2% to \$426.9 billion in 2027, up from approximately \$61.8 billion in 2022.

Online Video Gaming

Statista published a report indicating the global mobile games market is the biggest digital gaming segment, with more than \$150 billion in annual revenues. This is reflected as mobile gaming, which is estimated to account for more revenue than console and PC gaming sales combined. In 2022, it was estimated the number of gamers globally was three billion.

According to Newzoo (a provider of video games and gamer data) on average social media and video-sharing platforms have 12 hours of engagement per week. Generation Z spends approximately 7.2 hours per week with friends in immersive spaces, which is twice than hanging out with a friend in person. This is an important demographic for advertisers. Newzoo studies indicate that immersive content has a 252% higher engagement rate, and 33% of 13 to 39 year olds have stated in surveys that their virtual life influences their real-world life interests.

2Q23 Results

2Q23

SLGG reported revenue increase 18.1% to nearly \$5.1 million from nearly \$3.8 million in 2Q22. The revenue increase reflects publishing and content studio revenue reaching \$1 million, up from \$288,000 in the year-ago period. The increase resulted from a higher level of game development and immersive experience related projects that drove a 234% increase in average publishing and content studio sales per customer. Media and advertising revenue increased 3% to \$3.6 million. Direct to consumer sales decreased to \$388,000 from \$473,000 in the year-ago period.

Gross profit increased 17.6% to \$2.1 million from \$1.8 million in the year-ago period due primarily to revenue growth, partly offset by gross margin of 42.4% from 42.6% last year.

Core operating expenses (excluding goodwill impairment charge and contingent consideration expense) decreased to \$7.5 million from \$10.6 million last year. Engineering, technology and development expenses decreased to \$2.2 million from \$4.2 million reflecting reduced cloud services and other technology platform costs and lower product and engineering personnel costs. G&A expense decreased to \$2.3 million from \$3 million in the year-ago period due primarily to lower compensation expense, professional fees, and insurance costs. Selling, marketing and advertising

Super League Gaming, Inc.

expense was flat at \$3 million. In the current period, SLGG recorded goodwill impairment of \$2.3 million and contingent consideration expense of \$540,000, none of which occurred in the year-ago period.

The company's operating loss was \$5.4 million (excluding goodwill impairment and contingent consideration) compared to a loss of \$8.7 million. The improvement reflects revenue growth and lower core operating expenses. Non-operating income was \$1 million compared to income of \$23,000 in 2Q22. The current period includes a \$1 million positive change in fair value of warrant liability, partly offset by \$2,000 of interest expense.

Net loss was \$6.8 million or (\$0.17) per share, after an income tax benefit of \$313,000 on 40.5 million average shares compared to a net loss of \$8.7 million or (\$0.24) per share on 36.9 million average shares in the year-ago period. Excluding items in the current period, we estimate the loss per share was (\$0.14).

Finances

In 1H23, cash burn of \$8.3 million and an increase in working capital of \$2.5 million resulted in cash used in operations of nearly \$10.8 million. Cash from financing activities of \$11.5 million covered cash used in operations and cash from investing activities. Cash increased by \$87,000 to \$2.6 million at June 30, 2023.

Capital Structure

At June 30, 2022, SLGG had no outstanding debt, accrued contingent consideration liabilities of \$1.5 million, and shareholders' equity of \$17.1 million. The company also has preferred stock outstanding of 19,892 shares that can be converted into nearly 24.6 million common stock (at conversion prices ranging from \$0.46 to \$0.53 per share).

On August 21, 2023, the company announced the pricing of an underwritten public offering with gross proceeds of approximately \$2.2 million. The base offering consists of over 16.9 million shares of common stock (or pre-funded warrants) at a price to the public of \$0.13 per share (less \$0.001 in exercise price per pre-funded warrant). The underwriter was granted an option to purchase approximately 2.5 million additional shares, if executed total gross proceeds should approximate \$2.5 million. SLGG will use the net proceeds for working capital and general corporate purposes.

Competitive Landscape

Super League Gaming competes for users, developers, and creators within the online immersive Web gaming industry. To be successful SLGG needs to attract and retain the attention of users on the basis of content development and experiences for their engagement hours. The competitive environment also involves attracting and retaining developers by providing tools that enable easy to build, publish, operate, and monetize content. Therefore, there is substantial competition for developers and engineering talent that have gaming and metaverse platform experience.

Super League Gaming's current and potential future competitors could have advantages, such as larger sales and marketing budgets, broader and more established relationships with users, developers, and creators, as well as the resources to make acquisitions and enter into strategic partnerships. The company anticipates competition will increase due to technological advancements, the emergence of new entrants into the market, continuing market consolidation, as well as changing developer, creator and user preferences.

In this industry there are a wide number of participants that include global technology leaders such as Amazon, Apple, Meta Platforms, Google, Microsoft, and Tencent, as well as global entertainment companies such as Comcast, Disney, and Paramount, along with online content platforms including Netflix, Spotify, and YouTube and social platforms such as Facebook, Instagram, Pinterest, and Snap.

Management

Ann Hand – Chief Executive Officer and Chair of the Board since June 2015. Ms. Hand previously served as CEO and as a director of Project Frog, a venture-backed firm aimed at democratizing healthy, inspired buildings. She also served in various senior executive positions with BP plc, including Senior Vice President, Global Brand

Super League Gaming, Inc.

Marketing and Innovation and as CEO of Global Liquefied Gas Business Unit. Previous experience includes positions at McDonald's and Mobil Oil Corporations in retail development and operations. Earned a BA in Economics from DePauw University, an MBA from Northwestern's Kellogg School of Management, and completed executive education at Cambridge, Harvard and Stanford Universities.

Matt Edelman – Chief Commercial Officer and President. Mr. Edelman has served as CCO since July 2017 and as President since January 2023. Mr. Edelman oversees the company's revenue, marketing, content, creative services and business development activities. He is the owner of PickTheBrain, a leading digital self-improvement business and has over 20 years of experience working in the digital and traditional media and entertainment industries. Since 2001, he served as an advisor and consultant to digital and media companies, including, Nike, Marvel, MTV, Sony Pictures, 20th Century Fox and TV Guide. He previously served as the Head of Digital Operations and Marketing Solutions at WME-IMG (Endeavor Group Holdings, Inc.). He also served as CEO of Glossi, an authoring platform enabling individuals to create their own digital magazines. Earned a BA in Politics from Princeton University.

Clayton Haynes – CFO since August 2018. Prior to joining the company, he served as CFO and Senior Vice President of Finance and Treasurer of Acacia Research Corporation. Prior to joining Acacia Research, Mr. Haynes was employed at PricewaterhouseCoopers LLP, serving as a Manager in the Audit and Business Advisory Services practice. Earned a BA in Economics and Business/Accounting from the University of California at Los Angeles, an MBA from the University of California at Irvine Paul Merage School of Business and is a CPA (inactive).

David Steigelfest – Chief Platform Officer and Director. He co-founded SLGG and has been Chief Platform Officer since May 2018. Prior to co-founding the company, Mr. Steigelfest founded and served as CEO of rbidr LLC, a media and technology startup and pioneer in yield management and price optimization software. Previously worked at Cosi Consulting and at Deutsche Bank. Mr. Steigelfest also served as Vice President of eCommerce at Starguide Digital Networks and as the Director of Product Management at Gateway Computers. Earned a BA in International Relations and Psychology from Syracuse University, and a JD with an emphasis in business transactions and business law from Widener University School of Law.

Risks

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

Operating Losses

Super League Gaming, 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, SLGG 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 24.6 million and 3.3 million, respectively. In August 2023, Super League issued nearly 19.5 million common shares for gross proceeds of approximately \$2.5 million in an underwritten public offering (includes overallotment). 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, SLGG received an extension notice letter granting an extension to

October 2, 2023. SLGG was required to notify NASDAQ of its intent to cure the minimum bid price deficiency by effecting a reverse stock split, if necessary.

As part of the company's July 2023 proxy statement, shareholders will vote to approve a reverse split that would allow, but not require, SLGG's board of directors to implement a reverse stock split of both issued and outstanding common stock at a ratio of 1:20. The board of directors reserves the right to elect to abandon the reverse split if it determines it is no longer in the best interests of the SLGG stockholders.

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 SLGG 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

SLGG'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 SLGG's technology. A consequence of not having license agreements in place could be that game publishers unilaterally choose to discontinue their relationship with SLGG, 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

Average daily trading volume was 189,440 in 2022. Over the last three month ending September 1, 2023 increased to approximately 1.1 million. Super League has a float of approximately 65.9 million shares and outstanding shares of approximately 68.1 million as of August 23, 2023.

Super League Gaming, 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	36,809	37,606	48,335	70,725	72,000
Preferred stock - outstanding	-	10,323	19,892	19,892	19,892

Source: Company reports and Taglich Brothers estimates

Super League Gaming, 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>\$ (0.69)</u>	<u>\$ (2.30)</u>	<u>\$ (0.42)</u>	<u>\$ (0.17)</u>
Avg Shares Outstanding	29,883	37,189	51,753	71,050
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%

Source: Company reports and Taglich Brothers estimates

Super League Gaming, 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	\$ (0.21)	\$ (0.24)	\$ (1.41)	\$ (0.43)	\$ (2.30)	\$ (0.19)	\$ (0.17)	\$ (0.08)	\$ (0.04)	\$ (0.42)	\$ (0.07)	\$ (0.06)	\$ (0.05)	\$ 0.00	\$ (0.17)
Avg Shares Outstanding	36,839	36,947	37,387	37,585	37,189	37,716	40,495	58,000	70,800	51,753	70,900	71,000	71,100	71,200	71,050
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%

Source: Company reports and Taglich Brothers estimates

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

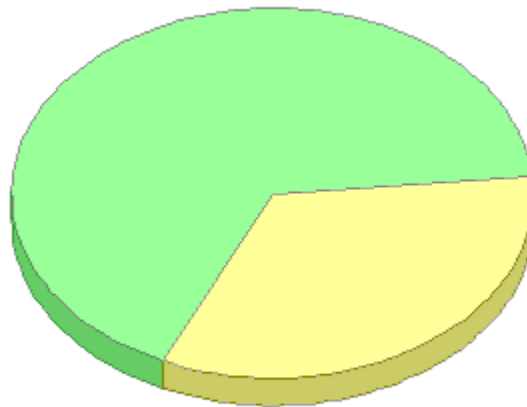
	<u>FY2021A</u>	<u>FY2022A</u>	<u>6 Mos. 23A</u>	<u>FY2023E</u>	<u>FY2024E</u>
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (20,748)	\$ (85,451)	\$ (14,072)	\$ (21,977)	\$ (12,370)
Depreciation and amortization	3,323	5,403	2,679	5,400	5,450
Stock-based compensation	2,381	4,263	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



Taglich Brothers Current Ratings Distribution



66.67 % Buy | 33.33 % Hold

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

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I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Public Companies mentioned in this report:

Alphabet Inc. (NASDAQ: GOOG)	Amazon.com, Inc. (AMZN)
Apple Inc. (NASDAQ: AAPL)	Meta Platforms, Inc. (NASDAQ: META)
Microsoft Corporation (NASDAQ: MSFT)	Roblox Corporation (NYSE: RBLX)
Tencent Holdings Limited (OTC: TCEHY)	Comcast Corporation (NASDAQ: CMCSA)
The Walt Disney Company (NYSE: DIS)	Paramount Global (NASDAQ: PARA),
Netflix, Inc. (NASDAQ: NFLX)	Spotify Technology S.A. (NYSE: SPOT)
Snap Inc. (NYSE: SNAP)	

Meaning of Ratings

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.

Some notable Risks within the Microcap Market

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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