

Research Report – Update

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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SLE \$1.70 — (NASDAQ)

	2021 A	2022 A	2023 E	2024 E
Total Revenues (in millions)	\$11.7	\$19.7	\$25.1	\$37.0
Earnings (loss) per share	(\$13.89)	(\$18.95)*	(\$7.79)**	(\$2.19)

52-Week range	\$16.96 – \$0.98	Fiscal year ends:	December
Shares outstanding Estimated a/o 11/12/23	4.2 million	Revenue/shares (ttm)	\$10.38
Approximate float	3.5 million	Price/Sales (ttm)	0.2X
Market Capitalization	\$7.1 million	Price/Sales (2024) E	0.3X
Tangible Book value/shr	(\$0.04)	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 \$0.10 per share gain related to a goodwill impairment charge and positive change in warrant liability*

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 our Speculative Buy rating and establishing a post-reverse split twelve-month price target of \$5.25 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, deployment of a large \$4 million program from a new customer stemming from a new ad agency relationship, and streamlining initiatives that should facilitate the development of new customer brand partnerships and deepen existing relationships.

The Roblox partner program provides access to a wider audience reach for SLE to sell its immersive experiences and 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 (\$7.79)** on revenue growth of 27.4% to \$25.1 million (prior was \$25.9 million) reflecting 3Q23 results and 4Q34 guidance provided on November 13, 2023.

For 2024, we project a net loss \$12.3 million or (\$2.19) per share on revenue growth of 47.6% to \$37 million reflecting a strong pipeline of customer partnership deals translating into SLE's eight member sales team generating at least \$4.3 million each in annualized sales along with \$1.6 million from direct to consumer sales. The narrowing of our loss forecast from 2023 reflects ongoing cost cutting initiatives that should provide operating leverage and gross margin improvement to 46.8% from 36.9% in 2023.

Please view our Disclosures on pages 17 – 19.

Appreciation Potential

Maintaining our Speculative Buy rating on Super League Enterprise, Inc. and establishing a post-reverse split twelve-month price target of \$5.25 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, 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. The company also announced the deployment of a large \$4 million program from a new customer stemming from a new ad agency relationship that began in 3Q23 and will accelerate through 4Q23. In addition, the May 2023 acquisition of Melon, Inc. (rebranded SL Studios) should help continue driving publishing and content studio sales. In 3Q23, SL Studios help drive publishing and content studio sales to nearly \$4 million (a 124% increase versus 3Q22), as well as comprising 55% of quarterly sales.

Joining the Roblox partner program should provide benefits that include having access to their audience reach in order for SLE 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 \$5.25 per share implies shares could more than triple 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 1.8X, compared to Super League's trailing price-to-sales multiple of 0.2X. We anticipate investors are likely to accord SLE a multiple at the midpoint between the sector and its trailing price-to-sales multiple due to projected sales growth of 47.6% in 2024. We applied a price-to-sales multiple of 1X to our 2024 sales per share forecast of \$6.56, discounted for execution and dilution risks, to obtain a year-ahead price target of approximately \$5.25 per share.

SLE's valuation should improve as it reports revenue growth, operating losses narrowing, and seeing cash burn reduced. We forecast revenue growth of 47.6% to \$37 million in 2024 from an estimated \$25.1 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 \$4.3 million in 4Q23. In 2024, SLE's cash burn should narrow to \$3.6 million from estimated cash burn of \$13.6 million in 2023.

We believe Super League is most suitable for high-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.

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. SLE 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.

SLE 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, SLE 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.

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.

SLE'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, SLE 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 SLE 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 SLE 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 November 14, 2023, the company announced the deployment of a large partnership program from a new customer stemming from a new ad agency relationship. The new customer relationship has the potential to deepen over time with new product category engagements. The new ad agency relationship has wide-ranging potential to drive to large partnership programs with new customers.

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 shows 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.

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.

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.

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 the company's audience reach combined with its end-to-end solutions can enable the taking of an increasingly greater share of advertisers' branding dollar budgets with new and existing customers. SLE has a repeat buying or customer retention rate in excess of 70%, with an average pipeline deal size trending in the \$300,000 to \$400,000 range. Our forecast includes deployment of programs from its new brand and partner entrants that includes Kraft Heinz, Hershey's, Wal-Mart, and Publicis. In November 2023, SLE announced it had closed on three seven-figure deals so far in 2023, up from one seven-figure deal in 2022 of just over \$1 million. Also, demonstrating the company's growth strategy appears to be working is it landed the largest deal in its history that is valued at approximately \$4 million across multiple quarters.

In 2002, the company's highest-performing sales executive was annual sales of \$3 million. In 2023, trends indicate as SLE'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 SLE 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 September 2023, the International Monetary Fund (IMF) revised its global economic growth estimates of 3% for 2023 and 2.9% for 2024. In July 2023, the IMF's prior projections called for growth of 3% in both 2023 and 2024.

The IMF revised its economic growth estimate for the US to an increase of 2.1% for 2023 and 1.5% for 2024. In July 2023, the IMF projected US economic growth of 1.8% and 1% for 2023 and 2024, respectively. The increase reflects stronger than anticipated consumption amid tight labor markets.

Operations 2023

We project 27.4% total revenue growth to \$25.1 million (prior was \$25.9 million) reflecting 3Q23 results and 4Q23 guidance provide by the company on November 13, 2023.

We forecast gross profit increasing 8.5% to \$9.2 million from \$8.5 million in 2022 due primarily to revenue growth, partly offset by gross margin compression to 36.9% from 43.2% last year. Gross margin compression stems from the company took less margin on a large contract from a new customer that provides an opportunity for continued significant deployments in future periods.

We expect operating expenses decreasing to \$31.2 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 \$11.9 million from \$12 million last year. Engineering, technology and development expenses should decrease to \$9.3 million from \$15.9 million as operations are being optimized with reduced personnel and cloud-based services. We anticipate G&A expense decreasing to \$9.4 million from \$12.1 million in 2022 due primarily to lower personnel costs, as well as implementation of additional cost cutting initiatives.

In 9M23, the company reported contingent consideration expense of \$546,000 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 \$21.9 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 124.3% compared to 220% in 2022.

We anticipate non-operating income of \$2.5 million compared to an expense of \$696,000 in 2022. The current period includes a \$2.6 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 are projecting a post 1 for 20 reverse stock split net loss of \$21.4 million or (\$7.69) per share, after applying an income tax benefit of \$313,000 on average shares of nearly 2.8 million. Our loss per share forecast includes approximately a \$0.10 net gain related to a positive change in warrant liability nearly offset by a goodwill impairment charge.

We forecast 2023 cash burn of \$13.6 million and an increase in working capital of \$362,000 resulting in cash used in operations of \$14 million. Proceeds from the issuance of preferred stock of nearly \$12.1 million and net proceeds from a common stock offering of approximately \$1.9 million is unlikely to cover cash used in operations, capital expenditures, capitalized software development, cash used to acquire Melon, and repayment of debt. We anticipate cash decreasing by \$1.4 million to \$1.1 million at December 31, 2023.

Operations – 2024

We project total revenue growth of 47.6% to \$37 million (prior was \$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 10% growth to \$1.6 million in direct to consumer sales.

We forecast gross profit increasing 87.5% to \$17.3 million from an estimated \$9.2 million in 2023 due primarily to revenue growth and gross margin expansion to 46.8% from an estimated 36.9% 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 \$1.5 million to \$29.7 million from an estimated \$31.2 million (excluding goodwill impairment) in 2023. We anticipate a continued reduction in engineering, technology and development expenses to \$8.8 million from an estimated \$9.3 million in 2023 reflecting the ability to leverage prior development programs into new customer deployments. G&A expenses should decrease to \$8.8 million from an estimated \$9.4 million in 2023 as streamlining of the company's internal infrastructure continued during the 1H24. Partly offsetting the reductions is likely to be an increase in selling, marketing and advertising expenses to \$12.1 million from an estimated \$11.9 million in 2023 to support revenue growth.

We project operating losses narrowing to \$12.3 million from an estimated \$21.9 million in 2023 (excludes goodwill impairment charge). The improvement reflects revenue growth and operating expense margin improving to 80.2% compared to an estimated 124.3% excluding goodwill impairment. We anticipate non-operating income or expense to be zero compared to income of \$2.6 million in 2023.

We project a net loss of \$12.3 million or (\$2.19) per share on average shares of 5.6 million, which anticipates an additional equity offering during 2024.

We forecast 2024 cash burn of \$3.6 million and a decrease in working capital of \$2.3 million resulting in cash used in operations of \$1.3 million. We estimate \$2 million in net proceeds from financing activity will not cover cash used in operations and capitalized software development costs reducing cash by \$34,000 to nearly \$1.1 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.

SLE 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. SLE'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.

3Q23 and 9M23 Financial Results

3Q23 Results

SLE reported revenue increase 59.6% to nearly \$7.2 million from \$4.5 million in 3Q22. The revenue increase reflects publishing and content studio revenue growth of 124% to nearly \$4 million, up from nearly \$1.8 million in the year-ago period. The increase resulted from a higher level of game development and immersive experience related projects for Kraft Lunchables, Hamilton, Arm & Hammer, and Universal Pictures movie the Trolls Band Together. Media and advertising revenue increased 24% to nearly \$2.9 million due primarily to Roblox immersive advertising media product sales that includes including portals and 3D pop up characters, as well as an increase in influencer marketing sales. Direct to consumer sales decreased to \$349,000 from \$419,000 in the year-ago period.

Gross profit increased 42% to \$2.5 million from \$1.8 million in the year-ago period due primarily to revenue growth, partly offset by gross margin of 35.3% from 39.7% last year. Gross margin contraction reflects partial delivery of a significant custom integration and platform media revenue contract with a customer that had a higher average direct cost profile compared to programs generating revenues during the year-ago period.

Core operating expenses decreased to \$7.5 million (excluding a \$462,000 contingent consideration gain) from \$11.9 million (excluding a \$42 million goodwill impairment charge) last year. Engineering, technology and development expenses decreased to \$2.1 million from \$3.8 million reflecting reduced cloud services and other technology platform costs and lower product and engineering personnel costs stemming from the impact of ongoing cost reduction and optimization activities. G&A expense decreased to \$2.3 million from \$5.1 million in the year-ago period due primarily to lower compensation expense reflecting a reduced headcount, professional fees, insurance costs, and the streamlining of operations in order to optimize corporate activities. Selling, marketing and advertising expense was flat at \$3 million.

The company's operating loss was \$5 million (excluding contingent consideration gain) compared to a loss of \$10.1 million (excluding impairment charge) in 3Q22. The improvement reflects revenue growth and lower core operating expenses.

Non-operating income was \$1.5 million compared to an expense of \$521,000 in 3Q22. The current period includes a \$1.5 million positive change in fair value of warrant liability. Last year was comprised of \$514,000 in interest expense and \$7,000 in other expense.

Super League Enterprise, Inc.

Net loss was \$3 million or (\$1.01) per share on 3 million average shares compared to a net loss of \$52.6 million or (\$28.14) per share on 1.9 million average shares in the year-ago period. Excluding contingent consideration gain and positive change in warrant liability, we estimate the loss per share was (\$1.68) compared to (\$22.80) per share excluding an impairment charge.

9M23 Results

SLE reported revenue increase 24% to nearly \$15.6 million from nearly \$12.6 million in 3Q22. The revenue increase reflects publishing and content studio revenue growth of 89% to \$7.5 million from \$4 million in the year-ago period. Partly offsetting revenue growth was 4% decrease in media and advertising revenue to \$6.9 million from \$7.2 million last year. Direct to consumer sales decreased to \$1.1 million from \$1.4 million in 9M22.

Gross profit increased 10.8% to nearly \$6.1 million from \$5.5 million in the year-ago period due primarily to revenue growth, partly offset by gross margin of 38.9% from 43.6% last year.

Core operating expenses decreased to \$23.1 million (excluding contingent consideration expense of \$546,000 and intangible asset disposal of \$2.3 million) from \$32.3 million (excluding a \$42 million impairment charge) last year. The decrease in operating expense reflects reduced compensation costs stemming from a reduction in headcount and streamlining operations in order to optimize the company's operating structure.

The company's operating loss was \$17.1 million (excluding contingent consideration expense and intangible asset disposal) compared to a loss of \$26.8 million (excluding impairment charge).

Non-operating income was \$2.5 million compared to an expense of \$499,000 in 9M22.

Net loss was \$17.1 million or (\$7.44) per share, after an income tax benefit of \$313,000 on 2.3 million average shares compared to a net loss of \$69.2 million or (\$37.37) per share on 1.9 million average shares in the year-ago period. Excluding items in the current period, we estimate the loss per share was (\$7.32). In the year-ago period, we estimate the loss per share was (\$14.70) per share excluding impairment charge.

Finances

In 9M23, cash burn of \$11.7 million and an increase in working capital of \$2.4 million resulted in cash used in operations of nearly \$14.1 million. Cash from financing activities of \$13.4 million did not cover cash used in operations and cash from investing activities. Cash decreased by \$1.3 million to \$1.1 million at September 30, 2023.

Capital Structure

At September 30, 2023, SLE had no outstanding debt, accrued contingent consideration liabilities of \$1.7 million, and shareholders' equity of \$16.6 million. The company also has preferred stock outstanding of 10,323 shares that can be converted into nearly 3 million common stock (at conversion prices ranging from \$2.60 to \$10.60 per share).

On August 23, 2023, the company announced the pricing of an underwritten public offering with net proceeds of approximately \$1.8 million. The base offering consists of nearly 779,000 shares of common stock (or pre-funded warrants) at a price to the public of \$2.58 per share. The underwriter was granted an option to purchase approximately 127,000 additional shares. SLE will use the net proceeds for working capital and general corporate purposes.

in \$ thousands	9 Mos. 23	9 Mos. 22	% D
Total Revenue	\$ 15,569	\$ 12,555	24.0%
Total Cost of Sales	9,512	7,086	34.2%
Gross Profit	\$ 6,057	\$ 5,469	10.8%
Total Operating Expenses	25,959	74,254	(65.0%)
Operating Income	(19,902)	(68,785)	(71.1%)
Total Other Income (Expense)	2,533	(499)	NMF
Pre-Tax Income	(17,369)	(69,284)	(74.9%)
Income tax expense (benefit)	(313)	(46)	
Net Income (loss)	<u>\$ (17,056)</u>	<u>\$ (69,238)</u>	39.9%
Earnings (loss) per share	(\$7.44)	(\$37.37)	
Avg Shares Outstanding	2,293	1,853	
Margins			
Gross margin - combined	38.9%	43.6%	
Operating Margin	(127.8%)	(547.9%)	
Pre-Tax Margins	(111.6%)	(551.8%)	
Tax Rate	1.8%	0.1%	
Source: company reports			

Competitive Landscape

Super League competes for users, developers, and creators within the online immersive Web gaming industry. To be successful SLE 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'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.

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 September 30, 2023, the company's accumulated deficit was approximately \$227.8 million, up from \$85.8 million in 2019. Operating losses are likely to continue but diminish through our forecast period to \$12.3 million in 2024 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 September 30, 2023, the common shares issuable upon conversion of the preferred stock and placement agent warrants is 3.5 million and 165,000, respectively. In August 2023, Super League issued common shares for net proceeds of approximately \$1.8 million in an underwritten public offering. We are forecasting an additional \$2 million equity offering in 2024. However, the company could seeking additional funding beyond our forecast to fund its operations or acquisitions, which could dilute existing shareholders.

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, a lack of definitive license agreements with game publishers** for the use of certain game titles played, **an ability to follow laws and regulations, as well as seasonality** that can impact quarterly results. 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 November 17, 2023 increased to approximately 1.2 million. Super League has a float of approximately 3.4 million shares and outstanding shares of 4.2 million.

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

	FY21A	FY22A	3Q23A	FY23E	FY24E
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,533	\$ 2,482	\$ 1,140	\$ 1,103	\$ 1,069
Accounts receivable, net	6,328	6,134	7,831	7,660	7,503
Prepaid expenses and other current assets	1,334	1,381	1,389	1,379	1,221
Total current assets	22,195	9,997	10,360	10,141	9,793
Property and equipment, net	104	147	89	88	85
Intangible and other assets, net	24,243	20,066	14,929	12,826	8,326
Goodwill	50,263	-	1,864	1,864	1,864
Total assets	\$ 96,805	\$ 30,210	\$ 27,242	\$ 24,919	\$ 20,068
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	5,514	6,697	8,360	7,915	9,291
Accrued contingent consideration	-	3,206	1,501	1,100	1,100
Deferred revenue	76	111	336	400	1,000
Convertible note payable and accrued interest	-	679	-	-	-
Total current liabilities	5,590	10,693	10,197	9,415	11,391
Accrued contingent consideration	-	-	178	178	178
Warrant liability	-	-	252	240	252
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	81	81	81
Additional paid-in capital	215,943	229,900	244,333	247,105	252,605
Retained earnings (accumulated deficit)	(125,292)	(210,743)	(227,799)	(232,099)	(244,439)
Total stockholders' equity	90,697	19,204	16,615	15,087	8,247
Total liabilities and stockholders' equity	\$ 96,805	\$ 30,210	\$ 27,242	\$ 24,919	\$ 20,068
Shares Outstanding - Common Stock	1,840	1,880	4,170	4,180	5,700
Preferred stock - outstanding	-	10	10	10	10

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	\$ 25,069	\$ 37,000
Cost of sales	<u>6,547</u>	<u>11,162</u>	<u>15,829</u>	<u>19,675</u>
Gross Profit	<u>5,125</u>	<u>8,515</u>	<u>9,240</u>	<u>17,325</u>
Operating Expenses:				
Selling, marketing and advertising	9,670	12,036	11,942	12,050
Engineering, technology and development	11,100	15,876	9,293	8,790
General and administrative	9,435	12,094	9,378	8,825
Contingent consideration (positive adjustment)	-	3,206	546	-
Impairment of goodwill	-	50,263	2,284	-
Total Operating Expenses	<u>30,205</u>	<u>93,475</u>	<u>33,443</u>	<u>29,665</u>
Operating Income (loss)	(25,080)	(84,960)	(24,203)	(12,340)
Interest (expense) income	(5)	(679)	(42)	-
Change in fair value of warrant liability	-	-	2,552	-
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>2,534</u>	<u>-</u>
Pre-Tax Income (loss)	(23,859)	(85,656)	(21,669)	(12,340)
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>(21,356)</u>	<u>(12,340)</u>
Earning (loss) per share	<u>\$ (13.89)</u>	<u>\$ (45.95)</u>	<u>\$ (7.69)</u>	<u>\$ (2.19)</u>
Avg Shares Outstanding	1,494	1,859	2,777	5,636
Adjusted EBITDA	\$ (19,376)	\$ (21,825)	\$ (13,753)	\$ (3,540)
Margin Analysis				
Gross margin	43.9%	43.3%	36.9%	46.8%
Selling, marketing and advertising	82.8%	61.2%	47.6%	32.6%
Engineering, technology and development	95.1%	80.7%	37.1%	23.8%
General and administrative	80.8%	61.5%	37.4%	23.9%
Operating margin	(214.9%)	(431.8%)	(96.5%)	(33.4%)
Pre-tax margin	(204.4%)	(435.3%)	(86.4%)	(33.4%)
Tax rate	13.0%	0.2%	1.4%	0.0%
YEAR / YEAR GROWTH				
Total Revenues	465.5%	68.6%	27.4%	47.6%

Source: Company reports and Taglich Brothers estimates

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 A	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	\$ 7,195	\$ 9,500	\$ 25,069	\$ 4,300	\$ 7,000	\$ 9,250	\$ 16,450	\$ 37,000
Cost of sales	1,909	2,458	2,719	4,076	11,162	1,948	2,911	4,655	6,315	15,829	2,580	3,850	4,855	8,390	19,675
Gross Profit	1,859	1,821	1,789	3,046	8,515	1,374	2,141	2,540	3,185	9,240	1,720	3,150	4,395	8,060	17,325
Operating Expenses:															
Selling, marketing and advertising	2,734	3,001	2,958	3,343	12,036	2,650	2,956	3,161	3,175	11,942	2,800	3,000	3,050	3,200	12,050
Engineering, technology and development	4,210	4,570	3,827	3,269	15,876	2,956	2,246	2,066	2,025	9,293	2,050	2,100	2,200	2,440	8,790
General and administrative	2,876	2,993	5,085	1,140	12,094	2,520	2,302	2,271	2,285	9,378	2,100	2,175	2,250	2,300	8,825
Contingent consideration (positive adjustment)	-	-	-	3,206	3,206	468	540	(462)	-	546	-	-	-	-	-
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	7,036	7,485	33,443	6,950	7,275	7,500	7,940	29,665
Operating Income (loss)	(7,961)	(8,743)	(52,081)	(16,175)	(84,960)	(7,220)	(8,187)	(4,496)	(4,300)	(24,203)	(5,230)	(4,125)	(3,105)	120	(12,340)
Interest (expense) income	(2)	23	(514)	(186)	(679)	(40)	(2)	-	-	(42)	-	-	-	-	-
Change in fair value of warrant liability	-	-	-	-	-	-	1,040	1,512	-	2,552	-	-	-	-	-
Gain on loan forgiveness	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1	-	(7)	(11)	(17)	24	-	-	-	24	-	-	-	-	-
Total Other Income (expense)	(1)	23	(521)	(197)	(696)	(16)	1,038	1,512	-	2,534	-	-	-	-	-
Pre-Tax Income (loss)	(7,962)	(8,720)	(52,602)	(16,372)	(85,656)	(7,236)	(7,149)	(2,984)	(4,300)	(21,669)	(5,230)	(4,125)	(3,105)	120	(12,340)
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)	(2,984)	(4,300)	(21,356)	(5,230)	(4,125)	(3,105)	120	(12,340)
Earning (loss) per share	\$ (4.30)	\$ (4.72)	\$ (28.14)	\$ (8.63)	\$ (45.95)	\$ (3.84)	\$ (3.38)	\$ (1.01)	\$ (1.01)	\$ (7.69)	\$ (1.01)	\$ (0.71)	\$ (0.54)	\$ 0.02	\$ (2.19)
Avg Shares Outstanding	1,842	1,847	1,869	1,879	1,859	1,886	2,025	2,957	4,240	2,777	5,200	5,775	5,780	5,790	5,636
Adjusted EBITDA	\$ (5,514)	\$ (6,314)	\$ (7,119)	\$ (2,878)	\$ (21,825)	\$ (5,060)	\$ (3,840)	\$ (2,603)	\$ (2,250)	\$ (13,753)	\$ (3,030)	\$ (1,925)	\$ (905)	\$ 2,320	\$ (3,540)
Margin Analysis															
Gross margin	49.3%	42.6%	39.7%	42.8%	43.3%	41.4%	42.4%	35.3%	33.5%	36.9%	40.0%	45.0%	47.5%	49.0%	46.8%
Selling, marketing and advertising	72.6%	70.1%	65.6%	46.9%	61.2%	79.8%	58.5%	43.9%	33.4%	47.6%	65.1%	42.9%	33.0%	19.5%	32.6%
Engineering, technology and development	111.7%	106.8%	84.9%	45.9%	80.7%	89.0%	44.5%	28.7%	21.3%	37.1%	47.7%	30.0%	23.8%	14.8%	23.8%
General and administrative	76.3%	69.9%	112.8%	16.0%	61.5%	75.9%	45.6%	31.6%	24.1%	37.4%	48.8%	31.1%	24.3%	14.0%	23.9%
Operating margin	(211.3%)	(204.3%)	(1155.3%)	(227.1%)	(431.8%)	(217.3%)	(162.1%)	(62.5%)	(45.3%)	(96.5%)	(121.6%)	(58.9%)	(33.6%)	0.7%	(33.4%)
Pre-tax margin	(211.3%)	(203.8%)	(1166.9%)	(229.9%)	(435.3%)	(217.8%)	(141.5%)	(41.5%)	(45.3%)	(86.4%)	(121.6%)	(58.9%)	(33.6%)	0.7%	(33.4%)
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%	59.6%	33.4%	27.4%	29.4%	38.6%	28.6%	73.2%	47.6%

Source: Company reports and Taglich Brothers estimates

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

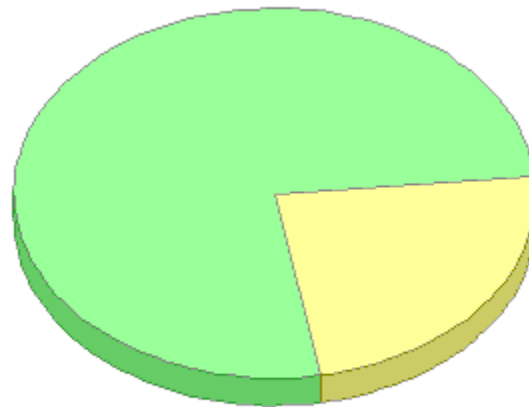
	<u>FY2021A</u>	<u>FY2022A</u>	<u>9 Mos23A</u>	<u>FY2023E</u>	<u>FY2024E</u>
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (20,748)	\$ (85,451)	\$ (17,056)	\$ (21,356)	\$ (12,340)
Depreciation and amortization	3,323	5,403	3,929	5,250	5,200
Stock-based compensation	2,381	4,263	2,175	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	-	-	(2,552)	(2,552)	-
Change in fair value of contingent consideration	-	-	(527)	(527)	-
Gain on loan forgiveness	(1,213)	-	-	-	-
Change in valuation allowance	(3,073)	-	-	-	-
Cash earnings (burn)	<u>(19,330)</u>	<u>(24,819)</u>	<u>(11,707)</u>	<u>(13,611)</u>	<u>(3,640)</u>
<i>Changes In:</i>					
Accounts receivable	(4,270)	193	(1,661)	(1,526)	157
Prepaid expenses and other current assets	(348)	182	(194)	2	158
Accounts payable and accrued expense	1,328	1,402	1,542	1,218	1,376
Accrued contingent consideration	-	3,206	(1,802)	-	-
Deferred revenue - contract liabilities	(54)	35	225	289	600
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>(2,383)</u>	<u>(362)</u>	<u>2,291</u>
Net cash provided (used in) Operations	<u>(22,707)</u>	<u>(19,826)</u>	<u>(14,090)</u>	<u>(13,973)</u>	<u>(1,349)</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)	(10)	(10)
Purchase of third-party game properties	-	(500)	-	-	-
Capitalization of software development costs	(1,065)	(923)	(483)	(645)	(675)
Acquisition of other intangible and other assets	(205)	(118)	(17)	(17)	-
Cash flow provided (used in) Investing Activities	<u>(4,203)</u>	<u>(1,690)</u>	<u>(658)</u>	<u>(822)</u>	<u>(685)</u>
<i>Cash Flows from Financing Activities</i>					
Proceeds from issuance of preferred stock, net of issuance costs	-	8,926	12,060	12,070	-
Proceeds from issuance of common stock, net of issuance costs	33,390	320	1,885	1,885	2,000
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>13,406</u>	<u>13,416</u>	<u>2,000</u>
Net change in Cash and restricted cash	6,591	(12,051)	(1,342)	(1,379)	(34)
Cash and restricted cash Beginning of Period	<u>7,942</u>	<u>14,533</u>	<u>2,482</u>	<u>2,482</u>	<u>1,103</u>
Cash (and restricted) End of Period	<u>\$ 14,533</u>	<u>\$ 2,482</u>	<u>\$ 1,140</u>	<u>\$ 1,103</u>	<u>\$ 1,069</u>

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



76.47 % Buy | 23.53 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	11
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years.

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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.

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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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