

## 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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May 21, 2024

**SLE \$1.32 — (NASDAQ)**

	2022 A	2023 A	2024 E	2025 E
Total Revenues (in millions)	\$19.7	\$25.1	\$33.5	\$46.0
Earnings (loss) per share	(\$18.95)*	(\$8.30)**	(\$1.52)	(\$0.37)

52-Week range	\$13.60 – \$0.98	Fiscal year ends:	December
Shares outstanding Estimated a/o 5/13/24	6.6 million	Revenue/shares (ttm)	\$7.20
Approximate float	6.0 million	Price/Sales (ttm)	0.2X
Market Capitalization	\$8.7 million	Price/Sales (2025) E	0.2X
Tangible Book value/shr	(\$0.25)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2025) 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 (\$2.54) per share related to goodwill and intangible asset impairment charges and other negative items, partly offset by 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 but reducing our twelve-month price target to \$4.75 per share from \$5.25 per share due primarily to a reduction in our 2025 sales per share forecast.**

**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 forecasts is obtaining six seven-figure deals during the first five month of 2024 (equivalent to all of 2023), as well as joining the Roblox partner program and developing relationships with new ad agencies. The company continues to streamline operations to reduce costs and deepen existing relationships.**

**In 1Q24, SLE reported (on 4-15-24) a loss per share of (\$1.00) on revenue growth of 26.7% to \$4.2 million. In 1Q23, revenue was \$3.3 million with a loss per share of (\$3.84). We projected a loss per share of (\$0.96) on revenue of \$4.2 million.**

**For 2024, we project a net loss per share of (\$1.52) on revenue growth of 33.6% to \$33.5 million. We previously forecasted a net loss per share of (\$2.26) on revenue of \$35 million. Our forecast reflects 1Q24 results. Our loss per share forecast reflects the cost cutting and streamlining initiatives that should provide operating leverage as operating expense margin improves to 73.3% from our prior forecast of 85.6%.**

**For 2025, we project a net loss per share of (\$0.37) on revenue growth of 37.3% to \$46 million. We previously forecasted a net loss per share of (\$1.19) on revenue of \$47.3 million. Our forecast reflects the pipeline of customer partnerships with new and existing customers. Our loss per share forecast anticipates operating expense margin improving to 56.4% from an estimated 73.3% in 2024.**

**Please view our Disclosures on pages 15 – 17.**

## Appreciation Potential

**Maintaining our Speculative Buy rating but reducing our twelve-month price target to \$4.75 per share from \$5.25 per share due primarily to a reduction in our 2025 sales per share forecast.** Our rating and price target reflects the company's ability to leverage its existing customer brand partners such as Visa, Toyota, Kraft, Mattel, Chipotle, Clarks, Disney, Netflix, and PacSun. Further support should occur from recent virtual world deployments and campaigns such as Hamilton the Broadway Show, a UAE specific virtual tourism program, the opening in May 2024 of a virtual store for Skechers on Roblox Livetopia's Topia Mall, and a revitalization program for Claire's. These relationships should begin to tilt revenue towards annual sales compared to episodic sales, which overtime should reduce seasonality and increase margins.

During the first five months of 2024, the company had in place six seven-figure deals, which compares to six seven-figure deals for all of 2023. We anticipate this trend should continue which should lead to a record revenues through our forecast period. Also, SLE has seven branded programs that have recurring operational revenue attached to the experience with brands including Dave & Busters and Claire's.

**Our 12-month price target of \$4.75 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 1.6X (unchanged), compared to Super League's trailing price-to-sales multiple of 0.2X (unchanged). 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 37.3% in 2025. We applied a price-to-sales multiple of 0.9X (unchanged) to our 2025 sales per share forecast of \$6.91 (prior was \$7.59), discounted for execution and dilution risks, to obtain a year-ahead price target of approximately \$4.75 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 37.3% to \$46 million in 2025 from an estimated \$33.5 million in 2024. We anticipate the company reducing its operating losses and swing to an operating profit of \$165,000 in 4Q24, which should increase to \$2.9 million in 4Q25. In 2025, SLE should generate cash earnings of \$2.1 million from estimated cash burn of \$3.8 million. In 2023, cash burn was \$15.6 million.

**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 is trusted by 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 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.

### ***Recent Developments***

**In 1Q24**, the Super League announced a realignment of its organization to match the growth opportunities. The client partnerships team will be focused on brand and agency relationships, driving revenue through strategic alliances, and multi-faceted partnerships. The brand strategy team will deepen client connections, and building bespoke programs to resonate with partners. Program management initiatives are intended to secure seamless execution and analytics in order to encapsulate the lifecycle of each project. The marketing insights team will provide the narratives and strategies based on data and consumer understanding. The creative and studio teams will continue building premium immersive experiences, nurtured by a large network of creators and developers.

**In March 2024**, the company announced a partnership with GSTV, the national on-the-go video network engaging and entertaining targeted audiences at scale across tens of thousands of fuel retailers. The partnership brings Super League's Metaburst gaming news segment to GSTV with future opportunities including integration to unite physical and digital retail engagements.

### ***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 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.

### ***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 were achieved with Roblox and LandVault. SLE joined the Roblox partner program, which will boost its offerings to include the official Roblox advertising system with immersive ads. Additional benefits include having access to Roblox's audience reach and dynamic marketing content along with Roblox's own ad inventory, as well as receive customer brand referrals.

SLE established 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).

**In 1Q24**, the company announced new capabilities for its entertainment and consumer brand clients in Fortnite Creative via a partnership with Chartis, a platform focused on Unreal Editor for Fortnite. Chartis offers a suite of tools to make it easier and more intuitive for creators to build original games and experiences. Also, a partnership was announced with GSTV (on-the-go video network) to bring Super League's Metaburst gaming news segment to GSTV that will keep millions of viewers at fuel and convenience retailers across the country updated on the latest trends and advancements in the 3D web and virtual worlds and platforms. A collaboration on other integration opportunities that unite physical and digital retail engagement is underway.

### **New Engagements**

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

**In 2Q24**, announced a partnership with Skechers to open its first virtual store through an immersive experience in Roblox Livetopia's Topia Mall. The Skechers shop is designed to build community and engage young consumers in a world that brings their brand to life. Also, SLE announced a program with retailer Claire's to revitalize their virtual world called Shimmerville, which is a persistent experience that serves as a hub for the discovery of new avatar items, as well as original character-driven IP.

**In 4Q23**, 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.

In 3Q23, Super League announced the Abu Dhabi Entertainment Destination Yas Island launched on the Roblox virtual technology platform. Also, the company began a long-term engagement for a new virtual immersive experience called the Hamilton Simulator on Roblox.

### **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. In 2023, 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 positioned 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.

### **Longer-term**

Super League's longer term strategy includes providing customers with data analytics and targeted demographics of users. 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.

### **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 that is approaching \$500,000. Our forecast includes deployment of programs from its new brand and partners, as well as its existing 100+ brands and IP owners. We anticipate additional large deals in terms of duration and size.

Based on 1Q24 results and February 29, 2024 sale of its Minehut direct to consumer assets, we anticipate a significant reduction and rationalization of operating expenses beyond our prior expectations through 2025. The annualized cost reduction just from the sale of Minehut is approximately \$2.5 million beginning in 2Q24.

We are not forecasting (only recording what SLE reports) income tax expense as the company has (as of December 31, 2023) US federal, state, and foreign net operating loss carryforwards of approximately \$130 million, \$117.5 million, and \$1.1 million, respectively, expiring through 2043.

#### **Economy**

In April 2024, the International Monetary Fund (IMF) revised its global economic growth estimates to 3.2% for 2024 and 3.2% for 2025. In January 2024, the IMF's prior projection called for growth of 3.1% in 2024 and 3.2% in 2025.

The IMF revised its economic growth estimate for the US to an increase of 2.7% for 2024 and 1.9% for 2025. In January 2024, the IMF projected US economic growth of 2.1% and 1.7% for 2024 and 2025, respectively. The IMF increased its 2024 forecast due primarily to fiscal over-performance in the early part of the year, with aggregate demand being supported by stronger-than-expected private consumption.

#### **Operations 2024**

We project total revenue growth of 33.6% to \$33.5 million (prior was \$35 million) reflecting 1Q24 results and a strong pipeline of customer partnership deals from new and existing relationships. The decrease in our forecast reflects lower than anticipated revenue contributions from the media and advertising segment.

## Super League Enterprise, Inc.

We forecast gross profit increasing 60.4% to \$16.7 million from \$9.8 million in 2023 due primarily to revenue growth and gross margin expansion to 46.8% from 39% in 2023. Gross margin improvement should occur as the company executes on higher margin recurring revenue type customer brand partnership projects and the ability to use previously built technology for new projects.

We expect core operating expenses to decrease by approximately \$8.7 million to \$24.6 million from \$33.3 million (excluding impairment charges) in 2023. We anticipate a continued reduction in engineering, technology and development expenses to \$6.7 million from \$9.5 million in 2023 reflecting the ability to leverage prior development programs into new customer deployments. G&A expenses should decrease to \$8.2 million from \$10.3 million in 2023 as streamlining of the company's internal infrastructure continues in 2024 and selling, marketing and advertising expenses decreasing to \$8.6 million from nearly \$12.5 million in 2023 after finding the appropriate spending level to continue supporting and developing new and existing customer partnerships.

We project operating losses narrowing to \$8.9 million from \$23.5 million in 2023 (excluding impairment charges). The improvement reflects revenue growth, gross margin expansion, and operating expense margin improving to 73.3% compared to an estimated 132.7% excluding items. We anticipate non-operating expense of \$655,000 compared to income of \$2.2 million in 2023.

We project a net loss of \$9.5 million or (\$1.52) per share on average shares of 6.3 million. We previously projected a net loss of \$13.5 million or (\$2.26) per share on average shares of 6 million. The improvement in our bottom line forecast stems from expense reductions occurring faster than previously anticipated.

**We forecast 2024** cash burn of \$3.8 million and an increase in working capital of \$601,000 resulting in cash used in operations of \$3.7 million. We estimate cash used in operations and capitalized software development costs reducing cash by \$5.8 million to nearly \$1.8 million at December 31, 2024.

### Operations – 2025

We project total revenue growth of 37.3% to \$46 million (prior was \$47.3 million) reflecting a strong pipeline of customer partnership deals, expansion of its professional sales team, along with an additional revenue contribution from direct to consumer sales of \$1.3 million.

We forecast gross profit increasing 49.6% to \$23.5 million from an estimated \$15.7 million in 2024 due primarily to revenue growth and gross margin expansion to 51% from an estimated 46.8% in 2024. Gross margin improvement should occur as the company executes on higher margin recurring revenue type customer brand partnership projects and continued deployment of previously developed technology on future projects.

We expect operating expenses to increase by \$1.4 million to nearly \$26 million from an estimated \$24.6 million in 2024. We anticipate engineering, technology and development expenses increasing to \$7.4 million from an estimated \$6.7 million in 2024 to support new sophisticated customer partnership programs. G&A expenses should increase to \$8.8 million from an estimated \$8.2 million in 2024 and selling, marketing and advertising expenses should increase to \$9.4 million from an estimated \$8.6 million in 2024 with both categories supporting customer and revenue growth.

We project operating losses narrowing to \$2.5 million from an estimated \$8.9 million in 2024 due primarily to revenue growth, gross margin expansion, and operating expense margin improving to 56.4% compared to an estimated 73.3% in 2024. We anticipate non-operating income or expense to be zero.

We project a net loss of \$2.5 million or (\$0.37) per share on average shares of 6.7 million. We previously projected a net loss of \$7.4 million or (\$1.19) per share on average shares of 6.2 million.

**We forecast 2025** cash earnings of \$2.1 million and an increase in working capital of \$1.6 million resulting in cash from operations of \$567,000. We estimate cash from operations is unlikely to cover capitalized software development costs reducing cash by \$43,000 to \$1.8 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.

Some successfully deployed brand programs were from customer brand partners Kraft Heinz, Mattel and Chipotle.

In 2H23, the company deployed its largest customer partnership deal for Kraft Heinz's Kraft Lunchables that generated revenue of nearly \$4 million. For the program, SLE built a technology infrastructure that connected consumers to physical retail and QR codes on packaging, so and it has a rewards loop that feeds from digital to physical and back to digital (pictured on the right).



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. 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. Most importantly, the estimated value delivered to Mattel was approximately \$688,000 compared to a budget of \$200,000.

The company's SL Studios 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. SL Studios help develop a Chipotle activation deployment that proved immersive game experiences can be a driver for downloading apps and increasing retail foot-traffic. 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

ResearchAndMarkets published a report on the global market for digital advertising that projects revenue to at least \$1.1 trillion by 2030, up from \$365 billion in 2022 for annualized growth of 15.5%. Fueling growth is the integration of technologies, such as Artificial Intelligence, analytics, and machine learning.

Statista (provider and data and market statistics) predicts revenue for in-game digital advertising to reach \$169.4 billion by 2029, up from an estimated \$109.6 billion in 2024 for annualized growth of 9.1%. 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.

## **1Q24 Financial Results**

### **1Q24**

SLE reported revenue increase 26.7% to \$4.2 million from \$3.3 million in 1Q23. The revenue increase reflects publishing and content studio revenue growth to \$2.5 million, up from \$1.3 million last year stemming from a 253% increase in custom game development and immersive experience related revenues, including revenues from custom game or immersive experiences for Kraft Lunchables, Sketchers, Lego, and Universal Pictures.

Revenue growth was partly offset by a decrease in media and advertising revenue to \$1.4 million from \$1.6 million in 1Q23. The lower media and advertising revenue reflects a \$554,000 decrease in on-platform related media sales revenue, partially offset by a \$243,000 increase in off-platform related media sales. Also, direct to consumer revenue decreased \$76,000 to \$306,000 reflecting reduced in-game platform sales of digital goods.

Gross profit increased 26.1% to \$1.7 million from \$1.4 million last year due primarily to revenue growth, partly offset by gross margin compression to 41.1% from 41.4% in 1Q23. Gross margin compression reflects a slightly higher average direct cost profile for initial revenue generating programs.

Core operating expenses decreased to \$6.3 million from \$8.6 million last year. Engineering, technology and development expenses decreased to \$1.7 million from \$3 million reflecting reduced cloud services and other technology platform costs of \$574,000 and lower product and engineering personnel costs of \$367,000 stemming from the impact of ongoing cost reduction and optimization activities. G&A expense decreased to \$2.1 million from \$2.5 million last year due primarily to the company's cost reduction and optimization activities. Selling, marketing and advertising expense decreased to \$2.3 million from \$2.7 million in 1Q23 due primarily to a reduction in amortization expense related to the write-down of intangible assets.

The company's operating loss was \$4.6 million compared to a loss of \$7.2 million in the year-ago period. The improvement reflects revenue growth and lower core operating expenses.

Non-operating expense was \$655,000 compared to an expense of \$16,000 last year. The current period includes a \$761,000 negative change in fair value of warrant liability, interest expense of \$18,000, and other loss of \$20,000, partly offset by a \$144,000 gain on sale of intangible assets. The year-ago period included interest expense of \$40,000 and other income of \$24,000.

Net loss was \$5.3 million or (\$1.00) per share on 5.2 million average shares compared to a net loss of \$7.2 million or (\$3.84) per share on 1.9 million average shares in the year-ago period. We projected a loss per share of (\$0.96) on revenue of \$4.3 million.

### **Finances**

In 1Q24, cash burn of \$3.3 million and an increase in working capital of \$412,000 resulted in cash used in operations of \$3.7 million. Cash used in operations, software development costs, and repayment of receivables facility reduced cash by \$4.3 million to \$3.3 million at March 31, 2024.

### **Capital Structure**

At March 31, 2024, SLE had outstanding a \$370,000 secured accounts receivable facility, accrued contingent consideration liabilities of \$2.5 million, and shareholders' equity of \$6 million. The company also has preferred stock outstanding of 22,078 shares that can be converted into nearly 8.1 million common stock (at conversion prices ranging from \$7.60 to \$13.41 per share).



## ***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 has not generated an operating profit. At March 31, 2024, the company's accumulated deficit was approximately \$254.2 million, up from \$85.8 million in 2019. Operating losses are likely to continue but diminish through our forecast period to \$2.5 million in 2025 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 in excess of \$100 million since 2019.

### Dilution

In 4Q22 and 2023, SLE entered into subscription agreements with accredited investors in connection with the sale and issuance of a 23,656 shares of newly created convertible preferred stock. As of March 31, 2024, the common shares issuable upon conversions could be up to 8.1 million common shares. In August 2023, Super League issued common shares for net proceeds of approximately \$1.8 million in an underwritten public offering. While we are not forecasting additional capital raised through our forecast period, the company could seeking additional funding in order to grow operations or complete acquisitions, which would likely 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.

### 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

SLE 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 2024, the company had one pending patent application and five issued patents, and various trademark applications.

### 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 5.4% of the company's outstanding voting common stock and additionally one shareholder owns 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 349,000 in 2023. Over the last three month ending May 17, 2024 decreased to 52,400. Super League has a float of 6 million shares and outstanding shares of 6.6 million.

Super League Enterprise, Inc.  
Consolidated Balance Sheets  
FY2022 – FY2025E  
(in thousands)

	FY22A	FY23A	1Q24A	FY24E	FY25E
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,482	\$ 7,609	\$ 3,311	\$ 1,815	\$ 1,771
Accounts receivable, net	6,134	8,287	6,240	6,981	8,944
Prepaid expenses and other current assets	1,381	862	1,134	1,173	851
<b>Total current assets</b>	9,997	16,758	10,685	9,968	11,567
Property and equipment, net	147	70	53	65	60
Other receivables	-	-	395	395	395
Intangible and other assets, net	20,066	6,636	5,603	3,963	1,778
Goodwill	-	1,864	1,864	1,864	1,864
<b>Total assets</b>	\$ 30,210	\$ 25,328	\$ 18,600	\$ 16,255	\$ 15,664
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable	6,697	10,420	7,110	8,663	8,447
Accrued contingent consideration	3,206	1,812	2,017	2,017	2,017
Contract liabilities	111	339	334	334	334
Secured loan - SLR Facility	-	800	370	-	-
Convertible note payable and accrued interest	679	-	-	-	-
<b>Total current liabilities</b>	10,693	13,371	9,831	11,014	10,798
Accrued contingent consideration	-	396	449	449	449
Warrant liability	-	1,571	2,332	2,332	2,332
Deferred taxes	313	-	-	-	-
Preferred stock, \$0.001 par value 10,000,000 shares authorized	-	-	-	-	-
<b>Stockholders' equity:</b>					
Common stock, \$0.001 par value; authorized 100,000,000 shares;	47	81	83	81	81
Additional paid-in capital	229,900	258,923	260,183	260,923	263,023
Retained earnings (accumulated deficit)	(210,743)	(249,014)	(254,278)	(258,544)	(261,019)
<b>Total stockholders' equity</b>	19,204	9,990	5,988	2,460	2,085
<b>Total liabilities and stockholders' equity</b>	\$ 30,210	\$ 25,328	\$ 18,600	\$ 16,255	\$ 15,664
Shares Outstanding - Common Stock	1,880	4,180	5,983	6,650	6,675
Preferred stock - outstanding	10	24	22	22	22

Source: Company reports and Taglich Brothers estimates

Super League Enterprise, Inc.  
Annual Income Statement  
FY2022 – FY2025E  
(in thousands)

	<u>FY22 A</u>	<u>FY23 A</u>	<u>FY24 E</u>	<u>FY25 E</u>
Revenues	\$ 19,677	\$ 25,079	\$ 33,509	\$ 46,000
Cost of sales	<u>11,162</u>	<u>15,297</u>	<u>17,822</u>	<u>22,525</u>
<b>Gross Profit</b>	<u>8,515</u>	<u>9,782</u>	<u>15,687</u>	<u>23,475</u>
<b>Operating Expenses:</b>				
Selling, marketing and advertising	12,036	12,450	8,577	9,350
Engineering, technology and development	15,876	9,500	6,749	7,350
General and administrative	12,094	10,258	8,227	8,750
Contingent consideration (positive adjustment)	3,206	1,075	1,009	500
Impairment of goodwill, intangibles, and loss on disposal	50,263	9,336	-	-
Total Operating Expenses	<u>93,475</u>	<u>42,619</u>	<u>24,562</u>	<u>25,950</u>
<b>Operating Income (loss)</b>	(84,960)	(32,837)	(8,875)	(2,475)
Interest (expense) income	(679)	(23)	(18)	-
Change in fair value of warrant liability	-	2,898	(761)	-
Loss on exchange of preferred instruments	-	(681)	-	-
Gain on sale of intangible assets	-	-	144	-
Other	<u>(17)</u>	<u>-</u>	<u>(20)</u>	<u>-</u>
Total Other Income (expense)	<u>(696)</u>	<u>2,194</u>	<u>(655)</u>	<u>-</u>
<b>Pre-Tax Income (loss)</b>	(85,656)	(30,643)	(9,530)	(2,475)
Income Tax Expense (Benefit)	<u>(205)</u>	<u>(313)</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>(85,451)</u>	<u>(30,330)</u>	<u>(9,530)</u>	<u>(2,475)</u>
<b>Earning (loss) per share</b>	<u>\$ (45.95)</u>	<u>\$ (10.84)</u>	<u>\$ (1.52)</u>	<u>\$ (0.37)</u>
Avg Shares Outstanding	1,859	2,799	6,290	6,658
Adjusted EBITDA	\$ (21,825)	\$ (15,336)	\$ (3,974)	\$ 2,125
<b>Margin Analysis</b>				
Gross margin	43.3%	39.0%	46.8%	51.0%
Selling, marketing and advertising	61.2%	49.6%	25.6%	20.3%
Engineering, technology and development	80.7%	37.9%	20.1%	16.0%
General and administrative	61.5%	40.9%	24.6%	19.0%
Operating margin	(431.8%)	(130.9%)	(26.5%)	(5.4%)
Pre-tax margin	(435.3%)	(122.2%)	(28.4%)	(5.4%)
Tax rate	0.2%	1.0%	0.0%	0.0%
<b>YEAR / YEAR GROWTH</b>				
Total Revenues	68.6%	27.5%	33.6%	37.3%

Source: Company reports and Taglich Brothers estimates

Super League Enterprise, Inc.  
Income Statement Model  
Quarters FY2023A – 2025E  
(in thousands)

	Q1 23 A	Q2 23 A	Q3 23 A	Q4 23 A	FY23 A	Q1 24 A	Q2 24 E	Q3 24 E	Q4 24 E	FY24 E	Q1 25 E	Q2 25 E	Q3 25 E	Q4 25E	FY25 E
Revenues	\$ 3,322	\$ 5,052	\$ 7,195	\$ 9,510	\$ 25,079	\$ 4,209	\$ 6,000	\$ 10,000	\$ 13,300	\$ 33,509	\$ 5,500	\$ 8,000	\$ 13,325	\$ 19,175	\$ 46,000
Cost of sales	1,948	2,911	4,653	5,785	15,297	2,477	3,360	5,200	6,785	17,822	2,925	4,085	6,400	9,115	22,525
<b>Gross Profit</b>	<b>1,374</b>	<b>2,141</b>	<b>2,542</b>	<b>3,725</b>	<b>9,782</b>	<b>1,732</b>	<b>2,640</b>	<b>4,800</b>	<b>6,515</b>	<b>15,687</b>	<b>2,575</b>	<b>3,915</b>	<b>6,925</b>	<b>10,060</b>	<b>23,475</b>
<b>Operating Expenses:</b>															
Selling, marketing and advertising	2,650	2,956	3,148	3,696	12,450	2,277	2,025	2,075	2,200	8,577	2,100	2,150	2,400	2,700	9,350
Engineering, technology and development	2,956	2,246	2,079	2,219	9,500	1,699	1,600	1,650	1,800	6,749	1,700	1,750	1,900	2,000	7,350
General and administrative	2,520	2,302	2,271	3,165	10,258	2,102	2,000	2,025	2,100	8,227	2,125	2,150	2,175	2,300	8,750
Contingent consideration (positive adjustment)	468	540	(462)	529	1,075	259	250	250	250	1,009	125	125	125	125	500
Impairment of goodwill, intangibles, and loss on disposal	-	2,284	-	7,052	9,336	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	8,594	10,328	7,036	16,661	42,619	6,337	5,875	6,000	6,350	24,562	6,050	6,175	6,600	7,125	25,950
<b>Operating Income (loss)</b>	<b>(7,220)</b>	<b>(8,187)</b>	<b>(4,494)</b>	<b>(12,936)</b>	<b>(32,837)</b>	<b>(4,605)</b>	<b>(3,235)</b>	<b>(1,200)</b>	<b>165</b>	<b>(8,875)</b>	<b>(3,475)</b>	<b>(2,260)</b>	<b>325</b>	<b>2,935</b>	<b>(2,475)</b>
Interest (expense) income	(40)	(2)	22	(3)	(23)	(18)	-	-	-	(18)	-	-	-	-	-
Change in fair value of warrant liability	-	1,040	1,512	346	2,898	(761)	-	-	-	(761)	-	-	-	-	-
Loss on exchange of preferred instruments	-	-	-	(681)	(681)	-	-	-	-	-	-	-	-	-	-
Gain on sale of intangible assets	-	-	-	-	-	144	-	-	-	144	-	-	-	-	-
Other	24	-	(24)	-	-	(20)	-	-	-	(20)	-	-	-	-	-
Total Other Income (expense)	(16)	1,038	1,510	(338)	2,194	(655)	-	-	-	(655)	-	-	-	-	-
<b>Pre-Tax Income (loss)</b>	<b>(7,236)</b>	<b>(7,149)</b>	<b>(2,984)</b>	<b>(13,274)</b>	<b>(30,643)</b>	<b>(5,260)</b>	<b>(3,235)</b>	<b>(1,200)</b>	<b>165</b>	<b>(9,530)</b>	<b>(3,475)</b>	<b>(2,260)</b>	<b>325</b>	<b>2,935</b>	<b>(2,475)</b>
Income Tax Expense (Benefit)	-	(313)	-	-	(313)	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(7,236)	(6,836)	(2,984)	(13,274)	(30,330)	(5,260)	(3,235)	(1,200)	165	(9,530)	(3,475)	(2,260)	325	2,935	(2,475)
<b>Earning (loss) per share</b>	<b>\$ (3.84)</b>	<b>\$ (3.38)</b>	<b>\$ (1.01)</b>	<b>\$ (3.11)</b>	<b>\$ (10.84)</b>	<b>\$ (1.00)</b>	<b>\$ (0.49)</b>	<b>\$ (0.18)</b>	<b>\$ 0.02</b>	<b>\$ (1.52)</b>	<b>\$ (0.52)</b>	<b>\$ (0.34)</b>	<b>\$ 0.05</b>	<b>\$ 0.44</b>	<b>\$ (0.37)</b>
Avg Shares Outstanding	1,886	2,025	2,957	4,265	2,799	5,241	6,635	6,640	6,645	6,290	6,650	6,655	6,660	6,665	6,658
Adjusted EBITDA	\$ (5,060)	\$ (3,840)	\$ (3,257)	\$ (3,179)	\$ (15,336)	\$ (3,454)	\$ (1,985)	\$ 50	\$ 1,415	\$ (3,974)	\$ (2,325)	\$ (1,110)	\$ 1,475	\$ 4,085	\$ 2,125
<b>Margin Analysis</b>															
Gross margin	41.4%	42.4%	35.3%	39.2%	39.0%	41.1%	44.0%	48.0%	49.0%	46.8%	46.8%	48.9%	52.0%	52.5%	51.0%
Selling, marketing and advertising	79.8%	58.5%	43.8%	38.9%	49.6%	54.1%	33.8%	20.8%	16.5%	25.6%	38.2%	26.9%	18.0%	14.1%	20.3%
Engineering, technology and development	89.0%	44.5%	28.9%	23.3%	37.9%	40.4%	26.7%	16.5%	13.5%	20.1%	30.9%	21.9%	14.3%	10.4%	16.0%
General and administrative	75.9%	45.6%	31.6%	33.3%	40.9%	49.9%	33.3%	20.3%	15.8%	24.6%	38.6%	26.9%	16.3%	12.0%	19.0%
Operating margin	(217.3%)	(162.1%)	(62.5%)	(136.0%)	(130.9%)	(109.4%)	(53.9%)	(12.0%)	1.2%	(26.5%)	(63.2%)	(28.3%)	2.4%	15.3%	(5.4%)
Pre-tax margin	(217.8%)	(141.5%)	(41.5%)	(139.6%)	(122.2%)	(125.0%)	(53.9%)	(12.0%)	1.2%	(28.4%)	(63.2%)	(28.3%)	2.4%	15.3%	(5.4%)
Tax rate	0.0%	4.4%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>YEAR / YEAR GROWTH</b>															
Total Revenues	(11.8%)	18.1%	59.6%	33.5%	27.5%	26.7%	18.8%	39.0%	39.9%	33.6%	30.7%	33.3%	33.3%	44.2%	37.3%

Source: Company reports and Taglich Brothers estimates

Super League Enterprise, Inc.  
Cash Flow Statement  
FY2022 – FY2025E  
(in thousands)

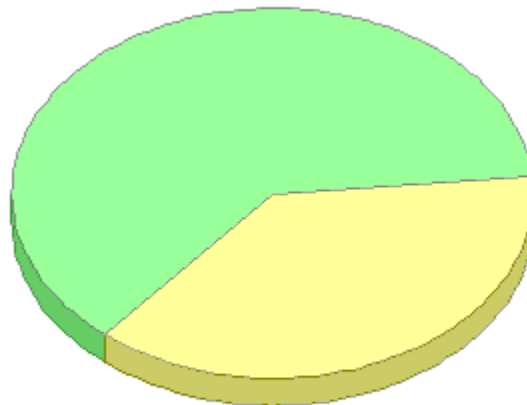
	<u>FY2022A</u>	<u>FY2023A</u>	<u>1Q24A</u>	<u>FY2024E</u>	<u>FY2024E</u>
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (85,451)	\$ (30,330)	\$ (5,260)	\$ (9,530)	\$ (2,475)
Depreciation and amortization	5,403	5,376	700	2,800	2,500
Stock-based compensation	4,263	2,735	332	2,000	2,100
Impairment of goodwill and intangible assets	50,263	7,052	-	-	-
Write off (gain) of intangible asset	423	2,284	(144)	(144)	-
Amortization of convertible notes discount	280	40	-	-	-
Change in fair value of warrant liability	-	(2,898)	761	761	-
Change in fair value of contingent consideration	-	(545)	116	116	-
Change in fair value of non-cash legal settlement	-	-	164	164	-
Loss on exchange of placement agent warrants	-	681	-	-	-
Cash earnings (burn)	<u>(24,819)</u>	<u>(15,605)</u>	<u>(3,331)</u>	<u>(3,833)</u>	<u>2,125</u>
<i>Changes In:</i>					
Accounts receivable	193	(2,113)	2,048	1,306	(1,963)
Prepaid expenses and other current assets	182	146	(48)	(311)	322
Accounts payable and accrued expense	1,402	3,412	(2,548)	(1,757)	(217)
Accrued contingent consideration	3,206	(1,064)	142	-	-
Deferred revenue - contract liabilities	35	228	(6)	160	300
Deferred taxes	(205)	(313)	-	-	-
Accrued interest on notes payable	180	(180)	-	-	-
(Increase)/decrease in Working Capital	<u>4,993</u>	<u>116</u>	<u>(412)</u>	<u>(601)</u>	<u>(1,558)</u>
<b>Net cash provided (used in) Operations</b>	<u>(19,826)</u>	<u>(15,489)</u>	<u>(3,743)</u>	<u>(4,434)</u>	<u>567</u>
<i>Cash Flows from Investing Activities</i>					
Cash paid in connection with Melon acquisition, net	-	(150)	-	-	-
Purchase of property and equipment	(149)	(8)	-	(10)	(10)
Purchase of third-party game properties	(500)	-	-	-	-
Capitalization of software development costs	(923)	(650)	(125)	(550)	(600)
Acquisition of other intangible and other assets	(118)	(17)	-	-	-
<b>Cash flow provided (used in) Investing Activities</b>	<u>(1,690)</u>	<u>(825)</u>	<u>(125)</u>	<u>(560)</u>	<u>(610)</u>
<i>Cash Flows from Financing Activities</i>					
Proceeds from issuance of preferred stock, net of issuance costs	8,926	19,295	-	-	-
Proceeds from issuance of common stock, net of issuance costs	320	1,885	-	-	-
Proceeds from note payable	4,000	-	-	-	-
Payments on convertible notes	(3,781)	(539)	-	-	-
Secured loan - AR facility	-	800	(430)	(800)	-
<b>Net cash provided (used) by Financing</b>	<u>9,465</u>	<u>21,441</u>	<u>(430)</u>	<u>(800)</u>	<u>-</u>
Net change in Cash and restricted cash	(12,051)	5,127	(4,298)	(5,794)	(43)
Cash and restricted cash Beginning of Period	<u>14,533</u>	<u>2,482</u>	<u>7,609</u>	<u>7,609</u>	<u>1,815</u>
Cash (and restricted) End of Period	<u>\$ 2,482</u>	<u>\$ 7,609</u>	<u>\$ 3,311</u>	<u>\$ 1,815</u>	<u>\$ 1,771</u>

Source: Company reports and Taglich Brothers estimates

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



62.5 % Buy | 37.5 % Hold

<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
Rating	#	%
Buy	3	18
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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**Analyst Certification**

**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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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.