

August 15, 2022



# Allied Esports Entertainment Announces Second Quarter 2022 Financial Results

NEW YORK--(BUSINESS WIRE)-- **Allied Esports Entertainment, Inc. (NASDAQ: AESE)** (the “Company” or “AESE”), a global esports entertainment company, today announced financial results for the second quarter ended June 30, 2022, as well as an update on key business initiatives. This release refers to “continuing” and “discontinued” operations due to the sale of the Company’s subsidiaries owning and operating its poker-related business, the World Poker Tour® (“World Poker Tour,” or “WPT®”) on July 12, 2021. Unless otherwise noted, results presented in this release relate to the continuing operations of the Company and its Allied Esports business, and excludes the operations of the World Poker Tour, which are classified as discontinued operations of the Company.

Commenting on the second quarter 2022 results and strategic process, the Company’s Interim CEO, Lyle Berman, said, “Our Esports operations continue to drive strong year-over-year revenue growth as the business recovers from the pandemic. Momentum is building and we anticipate a strong second half of the year. In addition, we continue efforts to execute our previously stated objective to pursue strategic alternatives for the Esports operations, including a potential sale of the business. At the same time, I believe we are also making good progress to invest the cash on our balance sheet, along with any proceeds from the potential sale of the Esports business, to acquire or merge with an existing business. We will provide the market with an update on these activities as appropriate.”

## Second Quarter 2022 Financial Results

**Revenues:** Total revenues of \$1.2 million increased 40% for the second quarter of 2022 compared to the second quarter of 2021. The improvement was driven by an increase in truck revenue from the Company’s agreement with NASCAR and an increase in rental and food and beverage revenue primarily attributable to the removal of COVID-19 pandemic related capacity restrictions at the Company’s HyperX Arena.

**Costs and expenses:** Despite a second quarter 2022 impairment charge on digital assets (cryptocurrency) of \$0.2 million and a \$0.3 million increase in in-person and multiplatform content expenses directly associated with the growth in second quarter 2022 revenues, total costs and expenses for the second quarter of 2022 were \$4.8 million, a decrease of 5% compared to the second quarter of 2021. The net decrease in costs and expenses is primarily due to a reduction in general and administrative expenses, including stock-based compensation and professional fees.

Net loss for the second quarter of 2022 was \$3.7 million compared to a net loss of \$2.9 million in the prior year period. The 2021 net loss includes \$1.4 million of income from discontinued operations.

Adjusted EBITDA loss was \$2.7 million for the second quarter of 2022 compared to a loss of

\$3.0 million in the second quarter of 2021. A reconciliation of the GAAP-basis net loss to adjusted EBITDA is provided in the table at the end of this press release.

## **Balance Sheet**

As of June 30, 2022, the Company had a cash position of \$91.5 million, including \$5.0 million of restricted cash compared to \$97.9 million at December 31, 2021, which also included \$5.0 million of restricted cash. As of June 30, 2022, the Company had approximately 39.1 million shares of outstanding common stock.

## **Operational Update**

Allied Esports produced 91 events in the second quarter with 65 proprietary events and 26 third party productions across its North American and European business units. Proprietary and third party events were up 12% compared to the first quarter at HyperX Arena Las Vegas. Third party events were highlighted by the Rainbow Six North America League, Alien Frens Las Vegas Games and Digi1.

The Allied Esports Trucks were active in both North America and Europe with events at ICE London and the eNASCAR Arcade taking place in the second quarter at the Blu-Emu Maximum Pain Relief 400 at Martinsville Speedway in Martinsville, Virginia, the Geico 500 at the Talladega Superspeedway in Talladega, Alabama, the Goodyear 400 at Darlington Raceway in Darlington, South Carolina, and the AdventHealth 400 at Kansas Speedway in Kansas City, Kansas. In addition, the company executed pop-up gaming exhibition events for Monster Energy at DreamHack Dallas and for NASCAR at the Toyota / Save Mart 350 at Sonoma Raceway in Sonoma, California.

Following the mint of our first NFT collection, EPICBEAST, in March, the project delivered on its first roadmap in the second quarter with monthly prize shows, an Unleash The Beast party at HyperX Arena sponsored by Stride, Inc. and a merchandise offering for holders. In addition, as of the date of this press release, the collection now serves as the backbone of Allied Esports' global rewards program *EPICBEAST Rewards*, and has grown from 300 holders post-mint in March to over 5,000 holders of 8,591 EPICBEAST NFTs.

## **Corporate Developments**

As previously announced, late in 2021, AESE engaged The Benchmark Company, LLC to serve as the Company's exclusive financial advisor in connection with a potential business combination transaction. The Company has reviewed a number of potential target investment opportunities over the past several months, and due diligence, as well as the continued sourcing of other opportunities, remains ongoing. AESE intends to provide further updates in due course when appropriate.

Additionally, as previously announced, the Company remains in the process of exploring strategic options for the Esports business and intends to provide further updates in due course when appropriate.

## **About Allied Esports Entertainment**

Allied Esports Entertainment, Inc. (NASDAQ: AESE) is a global esports entertainment venture dedicated to providing transformative live experiences, multiplatform content and

interactive services to audiences worldwide. For more information, visit [alliedesports.gg](http://alliedesports.gg).

## **Non-GAAP Financial Measures**

As a supplement to our financial measures presented in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), the Company presents certain non-GAAP measures of financial performance. These non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or as more important than, the financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP measures have limitations in that they do not reflect all of the items associated with the company’s results of operations as determined in accordance with GAAP.

The Company provides net income (loss) and earnings (loss) per share in accordance with GAAP. In addition, the Company provides EBITDA (defined as GAAP net income (loss) from continuing operations before interest (income) expense, income taxes, depreciation, and amortization). The Company defines “Adjusted EBITDA” as EBITDA excluding certain non-cash charges, such as stock-based compensation, inducement expense, extinguishment losses and impairment losses.

In the future, the Company may also consider whether other items should also be excluded in calculating the non-GAAP financial measures used by the Company. Management believes that the presentation of these non-GAAP financial measures provides investors with additional useful information to measure the Company’s financial and operating performance. In particular, these measures facilitate comparison of our operating performance between periods and help investors to better understand the operating results of the Company by excluding certain items that may not be indicative of the Company’s core business, operating results, or future outlook. Additionally, we consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Internally, management uses these non-GAAP financial measures, along with others, in assessing the Company’s operating results, measuring compliance with any applicable requirements of the Company’s debt financing agreements in place at such time, as well as in planning and forecasting.

The Company’s non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and our non-GAAP definitions of the “EBITDA” and “Adjusted EBITDA” do not have a standardized meaning. Therefore, other companies may use the same or similarly named measures, but include or exclude different items, which may not provide investors a comparable view of the Company’s performance in relation to other companies.

Management compensates for the limitations resulting from the exclusion of these items by considering the impact of the items separately and by considering the Company’s GAAP, as well as non-GAAP, results and outlook, and by presenting the most comparable GAAP measures directly ahead of non-GAAP measures, and by providing a reconciliation that indicates and describes the adjustments made.

## **Forward Looking Statements**

This communication contains certain forward-looking statements under federal securities

laws. Forward-looking statements may include our statements regarding our goals, beliefs, strategies, objectives, plans, including product and service developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “intend” or “continue,” the negative of such terms, or other comparable terminology. These statements are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those contemplated by the forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside our control, that could cause actual results or outcomes to differ materially from those discussed in these forward-looking statements. Important factors, among others, that may affect actual results or outcomes include: the ability to meet Nasdaq’s continued listing standards; our ability to execute on our business plan; the ability to retain key personnel; potential litigation; general economic and market conditions impacting demand for our services; a change in our plans to retain the net cash proceeds from the WPT sale transaction; our inability to enter into one or more future acquisition or strategic transactions using the net proceeds from the WPT sale transaction; and our ability, or a decision not to pursue strategic options for the esports business. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. The business and operations of AESE are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this communication. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business and results is described under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on May 26, 2022, as well as subsequent reports we file with the SEC. Readers are also urged to carefully review and consider the various disclosures we made in such Annual Report on Form 10-K and in subsequent reports with the SEC.

**Allied Esports Entertainment, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current Assets		
Cash	\$ 86,451,104	\$ 92,887,030
Accounts receivable	175,867	389,040
Prepaid expenses and other current assets	558,266	984,777
Total Current Assets	<u>87,185,237</u>	<u>94,260,847</u>
Restricted cash	5,000,000	5,000,000
Property and equipment, net	4,508,902	6,136,893
Digital assets	63,834	-
Intangible assets, net	24,831	26,827
Deposits	379,105	379,105
Total Assets	<u>\$ 97,161,909</u>	<u>\$ 105,803,672</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 151,686	\$ 341,161

Accrued expenses and other current liabilities, current portion	2,719,076	2,966,245
Accrued expenses - related party	-	1,800,000
Deferred revenue	705,776	141,825
Total Current Liabilities	3,576,538	5,249,231
Deferred rent	1,799,621	1,907,634
Accrued expenses, non-current portion	83,333	-
Total Liabilities	5,459,492	7,156,865
Commitments and Contingencies (Note 4)		
Stockholders' Equity		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized, 39,116,907 shares issued and outstanding at June 30, 2022 and December 31, 2021	3,912	3,912
Additional paid in capital	198,339,361	197,784,972
Accumulated deficit	(106,851,831)	(99,411,683)
Accumulated other comprehensive income	210,975	269,606
Total Stockholders' Equity	91,702,417	98,646,807
Total Liabilities and Stockholders' Equity	\$ 97,161,909	\$ 105,803,672

**Allied Esports Entertainment, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
In-person	\$ 1,129,371	\$ 670,886	\$ 3,332,437	1,171,914
Multiplatform content	28,463	153,723	237,451	153,723
<b>Total Revenues</b>	<u>1,157,834</u>	<u>824,609</u>	<u>3,569,888</u>	<u>1,325,637</u>
<b>Costs and Expenses:</b>				
In-person (exclusive of depreciation and amortization)	1,079,314	655,243	2,889,667	1,193,110
Multiplatform content (exclusive of depreciation and amortization)	43,364	126,885	64,497	126,885
Selling and marketing expenses	62,131	84,739	131,169	128,673
General and administrative expenses	2,620,422	3,338,731	6,072,292	7,251,753
Depreciation and amortization	808,233	807,843	1,616,845	1,689,802
Impairment of digital assets	164,411	-	164,411	-
<b>Total Costs and Expenses</b>	<u>4,777,875</u>	<u>5,013,441</u>	<u>10,938,881</u>	<u>10,390,223</u>
<b>Loss From Operations</b>	<u>(3,620,041)</u>	<u>(4,188,832)</u>	<u>(7,368,993)</u>	<u>(9,064,586)</u>
<b>Other Expense:</b>				
Other (expense) income, net	(73,225)	(40,163)	(79,932)	14,979
Interest income (expense), net	4,315	(104,496)	8,777	(257,602)
Total Other Expense	<u>(68,910)</u>	<u>(144,659)</u>	<u>(71,155)</u>	<u>(242,623)</u>
<b>Loss from continuing operations</b>	<u>(3,688,951)</u>	<u>(4,333,491)</u>	<u>(7,440,148)</u>	<u>(9,307,209)</u>
Income from discontinued operations, net of tax provision	-	1,393,411	-	3,030,453
<b>Net loss</b>	<u>\$ (3,688,951)</u>	<u>\$ (2,940,080)</u>	<u>\$ (7,440,148)</u>	<u>\$ (6,276,756)</u>
<b>Basic and Diluted Net Loss (Income) per Common Share</b>				
Continuing operations	<u>\$ (0.09)</u>	<u>\$ (0.11)</u>	<u>\$ (0.19)</u>	<u>\$ (0.24)</u>
Discontinued operations, net of tax	<u>\$ -</u>	<u>\$ 0.04</u>	<u>\$ -</u>	<u>\$ 0.08</u>
<b>Weighted Average Number of Common Shares Outstanding:</b>				
Basic and Diluted	<u>39,116,907</u>	<u>38,963,668</u>	<u>39,090,830</u>	<u>38,955,752</u>
<b>Comprehensive Loss</b>				
<b>Net Loss</b>	<u>\$ (3,688,951)</u>	<u>\$ (2,940,080)</u>	<u>\$ (7,440,148)</u>	<u>\$ (6,276,756)</u>
Other comprehensive (loss) income:				
Foreign currency translation adjustments	<u>(71,595)</u>	<u>32,584</u>	<u>(58,631)</u>	<u>57,920</u>

Total Comprehensive Loss

\$ (3,760,546) \$ (2,907,496) \$ (7,498,779) \$ (6,218,836)

## Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are non-GAAP financial measures and should not be considered as a substitute for net income (loss), operating income (loss) or any other performance measure derived in accordance with United States generally accepted accounting principles (“GAAP”) or as an alternative to net cash provided by operating activities as a measure of AESE’s profitability or liquidity. AESE’s management believes EBITDA and Adjusted EBITDA are useful because they allow external users of its financial statements, such as industry analysts, investors, lenders and rating agencies, to more effectively evaluate its operating performance, compare the results of its operations from period to period and against AESE’s peers without regard to AESE’s financing methods, hedging positions or capital structure and because it highlights trends in AESE’s business that may not otherwise be apparent when relying solely on GAAP measures. AESE presents EBITDA and Adjusted EBITDA because it believes EBITDA and Adjusted EBITDA are important supplemental measures of its performance that are frequently used by others in evaluating companies in its industry. Because EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income (loss) and may vary among companies, the EBITDA and Adjusted EBITDA AESE presents may not be comparable to similarly titled measures of other companies. AESE defines EBITDA as earnings before interest, income taxes, depreciation and amortization of intangibles. AESE defines Adjusted EBITDA as EBITDA excluding stock-based compensation, gain on forgiveness of PPP loans, transaction costs and other charges relate to sale of WPT, impairment losses, conversion inducement expenses and extinguishment losses.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA from net loss, to AESE’s most directly comparable financial measure calculated and presented in accordance with GAAP.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Continuing operations</b>				
Net loss from continuing operations	\$ (3,688,951)	\$ (4,333,491)	\$ (7,440,148)	\$ (9,307,209)
Interest income, net	4,315	104,496	8,777	257,602
Depreciation and amortization	808,233	807,843	1,616,845	1,689,802
<b>EBITDA</b>	<b>(2,876,403)</b>	<b>(3,421,152)</b>	<b>(5,814,526)</b>	<b>(7,359,805)</b>
Stock compensation	153,093	386,994	554,389	1,030,142
Impairment expense	164,411	-	164,411	-
<b>Adjusted EBITDA</b>	<b>\$ (2,723,310)</b>	<b>\$ (3,034,158)</b>	<b>\$ (5,260,137)</b>	<b>\$ (6,329,663)</b>

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