

Letter to Shareholders

FISCAL Q1 | 2024



LEADING THE FUTURE OF AN IMMERSIVE 3D WEB

NASDAQ: SLE

May 15, 2024

Fellow Shareholders,

Super League generated solid first quarter 2024 revenue of \$4.2 million, an increase of 27% when compared to the same quarter a year ago and in line with consensus forecast. The resilience in revenue during the first quarter follows the Company's record fourth quarter and full year 2023 revenue performance. While Q1 revenues also reflected the typical seasonality we experience at the start of year, we continue to increase this seasonal low point each year. Our top-line growth is important to us, but our continued focus is on our streamlined organizational structure and operating efficiencies with the goal of optimizing operating leverage to scale our products and technology and achieve profitability. Super League has consistently been the torchbearer in guiding brands through the intricacies of 3D engagement, empowering them to ignite business growth among Generations Z and Alpha. Our organizational transformation mirrors the evolution of the market we thrive in - a market on the precipice of redefining the digital realm.



We believe in the unstoppable secular shift in advertising towards immersive engagement. This includes the massive audience profile on 3D immersive platforms, such as Roblox, effectively requiring brands to engage in these modern marketing channels. Immersive engagement allows brands to speak to young consumers in highly customized and personalized ways – and importantly, in the significant pivot towards a digital world, this is the language the younger consumer speaks. The average Roblox user spends 156 minutes a day on platform as compared to an average of 95 minutes by TikTok users. This truly digitally native audience has grown up with digital immersion and expect to meet brands in this way. This is where we live and thrive, offering scalable solutions through our deep strategic and creative capability coupled with our suite of proprietary products and measurement tools that guide brands to appropriately position and capture 3D engagement and ultimately digital and physical conversion as a loyal consumer. We are the leaders in this new chapter of brand marketing, digital advertising, and e-commerce that can transform business models.

We continue to productize repeatable elements of our custom experiences to convert across brands and key verticals. This is where Super League pop-ups come into play as “drag and drop” modules that can be easily reskinned for use by a wide berth of brands and IP owners. From turnkey fashion runways and make up counters to kitchens and concert stages, experiential products allow us to accelerate the brand adoption curve and collapse development cycle times leading to higher margin profiles. One such example we are excited about is the recent launch of a virtual, drivable car demo that allows

consumers an easily accessible entry point to begin their car buying journey without the physical world limitations of in-real-life test driving. We can help an automotive partner introduce a new vehicle to tens of millions of consumers over the course of a weekend in an affordable, scalable way that physical experiential marketing, a \$50 billion advertising category in its own right, cannot achieve. Super League continues to be a leader in thinking about a brand's overall business objective beyond just marketing as evidenced by our work with Chipotle, Kraft Lunchables and more. We think about driving real commerce and conversion beyond massive engagement. Our Lunchables program drove not only in-game engagement, but also physical crossover. Lunchables physical packaging with the Roblox gameplay QR code had a 6.3% higher purchase rate – and the in-game program delivered 10 million hours of engagement with players collecting 7.4 billion in-game reward points. And that leads to another new product launch – a white label rewards module that offers in-game player badges and rewards along with a connection to a brand's offline objectives, whether it be app downloads and loyalty program sign-ups or foot- traffic and like-for-like sales goals. We are not just a digital ad agency or a game development studio – innovation and productization are in our DNA.

Each quarter I like to discuss key pipeline trends that help us measure our traction and grow operating leverage. Our average deal size in the pipeline remains in the mid six-figures with increasing demand for larger programs as exemplified by the nearly \$4 million Kraft Lunchables deal. Last year we closed on **six seven-figure** deals which was a **six-fold** increase when compared to 2022 of just one seven



figure deal, and we have already hit the same number of six seven-figure deals for 2024 just five months into the year **with the likes of Visa and Toyota**. As that trend continues, it will take a fraction of the partner programs to deliver yet another record-breaking revenue year. The larger programs are also indicative of another positive trend. To date, we have **seven** branded programs that have recurring operational revenue attached to the experience **with brands including Dave & Busters and Claire's**. That is recurring revenue for us and demonstrates the shift from brands spending smaller amounts for short-term campaigns, towards leveraging the experiences we create for more persistent programs and marketing channels on immersive platforms, no differently than their persistent strategies on traditional social media channels like Instagram and Facebook. This leads to larger deal sizes, more predictable, longer-term revenue that over time should offer more stable cash flow and ultimately create shareholder value. Further, while we always have a high percentage of repeat customers quarter on quarter, I am excited to report that we have 48 new brands in our pipeline pursuits along with 35 repeat brands. Retention of existing customers is of course a vital metric, but new entrants are equally as critical. We served over 100 brands last year; we are only scratching the surface of the opportunity in front of us as brand dollars inevitably catch up to the audience migration toward immersive social platforms. As we grow and deliver on these larger programs, it verifies our unique position as the enterprise solution and domain expert for brands to implement persistent omni-channel marketing and commerce across a variety of immersive platforms ultimately, driving consumers back to a brand's own, more engaging and progressive immersive website and commerce experiences – and yes, we can build that for our brand partners as well.

Recent Operating Highlights

Just recently, we joined forces with The Comfort Technology Company, Skechers, to open the company's first virtual store through an immersive experience in Roblox Livetopia's Topia Mall. The Skechers shop was

designed to build community and engage young consumers in a world that brings the Skechers brand to life. As a visitor, you can participate in a treasure hunt to win exclusive Skechers digital items as well as create stylish looks inspired by select Skechers products. The results speak for themselves, in the first five weeks, there have been 3.4 million visits to the store, 4 million try-ons, and nearly 45 million impressions generated. This is yet another great example of leveraging the power of immersive technology to capture the attention of a specific audience and deliver data and analytics that translate into actionable insights about their consumers.

We expanded our offerings to consumers and brands of Fortnite by partnering with Chartis, allowing us to develop comprehensive, end-to-end integrations into more than 100 top Fortnite Creative maps with nearly 1 billion impressions per month. Together, we can provide unparalleled opportunities for brands to launch new Fortnite Creative Islands and custom integrations.

A prime example of how brands are creating more persistent, long-term strategies is our new engagement with leading retailer Claire's, for their transformative digital world Shimmerville. Shimmerville is a persistent experience that serves as a hub for the discovery of amazing new avatar items, as well as original character-driven IP. Super League has been brought in to revitalize the virtual realm over the coming months with gameplay designed to inspire both digital and in-store community engagement and growth among Claire's Gen Z and Alpha audience.

Additionally, we are always looking for new sources of advertising revenue beyond our core suite of products. Our new partnership with GSTV, a national video network providing entertainment to targeted audiences in fuel stations and convenience stores reaching 115 million unique adults a month across more than 29,000 locations, offers gaming-centric video content on their screens. By leveraging GSTV's sales force, we unite the physical consumer with the expansive digital world of gaming, enabling brands to achieve full funnel conversion; consumers filling their fuel tanks will be entertained and



driven into the convenience store or online to relevant offers.

Super League was honored to be part of a broad collaboration with Boombox, the first scaled music product across the Roblox platform. Boombox offers a true pioneering opportunity for music labels to curate, distribute, and monetize their offerings on Roblox. Players can share and collectively enjoy music with each instance of music playback being a monetizable event for the contributing labels and artists. This industry milestone was the result of a year-long collaboration that included Super League, UMG, Roblox, and STYNGR and evolves the way that fans engage with their favorite music, artists and labels.

We continue to be recognized for our leadership and excellence in creating innovative immersive experiences and once again were honored at this year's Webby Awards winning the People's Choice: Best Performance award with Hulu, Interscope Records and Imagine Dragons for the Live in Vegas experience. The groundbreaking Live in Vegas event was the first-ever music documentary watch party on Roblox to promote the Hulu film release offering an opportunity for admirers to engage with the band with live Q&A with the Imagine Dragons, the best-selling rock artist of the last decade, for a truly interactive fan experience.

Finally, connecting and communicating with young consumers in a safe, appropriate and compliant manner is one of core values here at Super League. To that end, in Q1 we partnered with Common Sense Networks, a singular leader in age-appropriate content moderation and standards, to further enable brands to connect with younger audiences on a global scale in safe and suitable ways across major gaming and video platforms. By combining Super League's custom and scalable content experiences in immersive entertainment platforms with Common Sense Network's video channels, applications, and proprietary child-safe data and distribution tool, we offer an unrivaled solution.

First Quarter 2024 Financial Results

Revenue for the three months ended March 31, 2024 totaled \$4.2 million, reflecting an increase of \$887,000, or 27%, compared to \$3.3 million in the first quarter of 2023, driven primarily by increases in our publishing and content studio revenue category.

Inside of our immersive experience and media offering, we have two key components which work in tandem to deliver an advertisers' full set of campaign objectives:

Publishing and content studio revenue increased \$1.2 million, or 90%, to \$2.5 million, compared to \$1.3 million in the comparable prior year quarter, driven primarily by a \$1.4 million, or 161% increase in custom game development and

immersive experience related revenues, including revenues for immersive experiences for Kraft Lunchables, Sketchers, Lego and Universal Pictures during the three months ended March 31, 2024.

Media and advertising revenue decreased \$239,000, or 15%, to \$1.4 million, compared to \$1.6 million in the comparable prior year quarter. The change reflected a \$554,000 decrease in on-platform related media sales revenue, partially offset by a \$243,000 increase in off-platform related media sales revenue.

First quarter direct to consumer revenue was \$306,000, compared to \$382,000 in the comparable prior year quarter. Consistent with our focus on narrowing our product strategies and expending resources on the revenue streams that offer the most growth, as previously announced, on February 29, 2024 we sold our Minehut direct to consumer assets to GamerSafer, Inc, pursuant to an Asset Purchase Agreement where we will receive \$1.0 million of purchase consideration for Minehut, to be paid by GamerSafer in revenue and royalty sharing over a multi-year period. Super League and GamerSafer will maintain a commercial relationship which ensures that Minehut can remain an ongoing destination available to Super League's partners. Results for the first quarter include an initial gain on the sale of Minehut assets totaling \$144,000.

First quarter 2024 cost of revenue increased \$529,000, or 27%, to \$2.5 million, compared to \$1.9 million in the comparable prior year quarter, consistent with the 27% increase in related revenues. Importantly, as a percentage of revenue, in the first quarter of 2024, gross margin remained stable at 41% compared to the prior year comparable quarter, and increased approximately 5% from the fourth quarter of 2023.

GAAP operating expense in the first quarter of 2024 decreased \$2.3 million, or 26%, to \$6.3 million, compared to \$8.6 million in the comparable prior year quarter. Excluding noncash stock compensation expense, intangible asset amortization expense, and mark to market related fair value adjustments, proforma operating expense in the first quarter of 2024 was \$5.0 million, compared to \$6.3 million in the first quarter of 2023, reflecting an approximately 20% decrease in proforma operating expense, a material reduction reflecting the impact of the Company's focus on, and commitment to, ongoing cost reduction and optimization activities.

The decrease in operating expense, excluding noncash items, was driven primarily by a 58% reduction in cloud services and other technology platform costs, a 30% decrease in engineering personnel costs, and reductions in marketing and other corporate costs. GAAP operating expense in the fourth quarter of 2024 included net accrued contingent consideration expense totaling \$259,000,

compared to \$468,000 in the fourth quarter of 2023, related to earn out provisions in connection with our acquisitions of Super Biz in fiscal year 2021 and Melon, Inc. in May 2023.

On a GAAP-basis, net loss in the first quarter of 2024 was \$5.3 million, or \$(1.00) per share, compared to a net loss of \$7.2 million, or \$(3.84) per share, in the comparable prior year quarter. GAAP net loss for the first quarter of 2024 included noncash stock compensation charges of \$332,000, depreciation and amortization charges of \$700,000, an initial gain on the sale of Minehut related intangible asset of \$144,000, and net changes in fair value of certain liabilities of \$1.0 million.

Pro forma net loss for the first quarter of 2024, which excludes the impact of noncash charges and credits, was \$3.3 million, or \$(0.64) per share, compared to a pro forma net loss of \$4.9 million, or \$(2.61) per share, in the comparable prior year quarter, which is further evidence of the effectiveness of the operating expense reduction measures we began instituting in the back half of 2022.

As of March 31, 2024, we reported \$3.3 million in cash with no material debt as compared to \$7.6 million as of December 31, 2023.

Summary

With secular tailwinds behind us and brand awareness of 3D engagement growing daily, we are set to electrify this space and scale our business, with an unwavering focus on being trusted partners that brands turn to speak the language of 3D engagement as their omni-channel strategists. That is also how we will exceed our own ambitious goals and further cement Super League's position as strategic leaders in the immersive web while creating long-term sustainable value for our shareholders.

We thank you for your interest and ongoing support. Please join us for a continued earnings discussion today at 5pm E.T. and live questions from our covering research analysts.

In Super League,

A handwritten signature in black ink, appearing to read 'Ann Hand', written in a cursive style.

Ann Hand
CEO of Super League

About Super League

Super League (Nasdaq: SLE) is a leading creator and publisher of content experiences and media solutions across the world's largest immersive platforms. From open gaming powerhouses such as Roblox, Minecraft and Fortnite Creative, to bespoke worlds built using the most advanced 3D creation tools, Super League's innovative solutions provide incomparable access to massive audiences who gather in immersive digital spaces to socialize, play, explore, collaborate, shop, learn and create. As a true end-to-end activation partner for dozens of global brands, Super League is effectively a brand's operating system for the 3D Web offering a complete range of development, distribution, monetization and optimization capabilities designed to engage users through dynamic, energized programs. As an originator of new experiences fueled by a network of top developers, a comprehensive set of proprietary creator tools and a future-forward team of creative professionals, Super League accelerates IP and audience success within the fastest growing sector of the media industry. For more, go to superleague.com.

SUPER LEAGUE ENTERPRISE, INC CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 3,311,000	\$ 7,609,000
Accounts receivable	6,240,000	8,287,000
Prepaid expenses and other current assets	1,134,000	862,000
Total current assets	10,685,000	16,758,000
Property and Equipment, net	53,000	70,000
Intangible assets, net	5,603,000	6,636,000
Goodwill	1,864,000	1,864,000
Other assets, noncurrent	395,000	-
Total assets	\$ 18,600,000	\$ 25,328,000
Liabilities		
Accounts payable and accrued expenses	\$ 7,110,000	\$ 10,420,000
Accrued contingent consideration	2,017,000	1,552,000
Contract Liabilities	334,000	339,000
Secured loan—SLR Facility	370,000	-
Total current liabilities	9,831,000	12,311,000
Accrued contingent consideration – noncurrent	449,000	656,000
Warrant liability	2,332,000	2,371,000
Total liabilities	12,612,000	15,338,000
Stockholders' Equity		
Preferred Stock	-	-
Common Stock	83,000	81,000
Additional paid-in capital	260,183,000	258,923,000
Accumulated deficit	(254,278,000)	(249,014,000)
Total stockholders' equity	5,988,000	9,990,000
Total liabilities and stockholders' equity	\$ 18,600,000	\$ 25,328,000

SUPER LEAGUE ENTERPRISE, INC
CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (Unaudited)

Three Months Ended
March 31,

2024

2023

Operating Activities

Net loss	\$ (5,260,000)	\$ (7,236,000)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	700,000	1,337,000
Stock-based compensation	332,000	783,000
Change in fair value of warrant liability	761,000	-
Change in fair value of contingent consideration	116,000	-
Gain on sale of intangible assets	(144,000)	
Legal settlement	164,000	-
Amortization of original issue discount on convertible notes	-	40,000

Changes in assets and liabilities

Accounts Receivable	2,048,000	2,671,000
Prepaid Expenses and Other Assets	(48,000)	140,000
Accounts payable and accrued expenses	(2,548,000)	(919,000)
Accrued contingent consideration	142,000	468,000
Deferred Revenue	(6,000)	(82,000)
Accrued interest on notes payable	-	(180,000)
Net Cash Used in Operating Activities	(3,743,000)	(2,978,000)

Investing Activities

Purchase of property and equipment	-	(6,000)
Capitalization of software development costs	(125,000)	(281,000)
Acquisition of other intangibles	-	(7,000)
Net Cash Used in Investing Activities	(125,000)	(294,000)

Financing Activities

Proceeds from issuance of preferred stock, net	-	1,919,000
Accounts receivable facility advances	371,000	(539,000)
Payments on accounts receivable facility	(801,000)	-
Net Cash (Used In) Provided by Financing Activities	(430,000)	1,380,000

Net Decrease in Cash and Cash Equivalents	(4,298,000)	(1,892,000)
Cash and Cash Equivalents at Beginning of the Period	7,609,000	2,482,000
Cash and Cash Equivalents at End of the Period	\$ 3,311,000	\$ 590,000

Forward-Looking Statements

Statements in this press release that are not strictly historical are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. A reader can identify forward-looking statements because they are not limited to historical fact or they use words such as “scheduled,” “may,” “will,” “could,” “should,” “would,” “expect,” “believe,” “anticipate,” “project,” “plan,” “estimate,” “forecast,” “goal,” “target,” “objective,” “committed,” “intend,” “continue,” or “will likely result,” and similar expressions that concern Super League’s strategy, plans, intentions, or beliefs about future occurrences or results.

Forward-looking statements involve substantial risks, uncertainties, assumptions, and other factors that may change at any time and may cause actual results to differ materially from those expressed or implied by such statements. Forward-looking statements in this communication include, among other things, statements about Super League’s growth strategies, the ability to actualize the benefits of the acquisition of SL Studios, the ability to actualize or increase the size of deals with our clients, our possible or assumed business strategies, new products, potential market opportunities and our ability to secure adequate working capital. Risks and uncertainties include, among other things, our ability to implement our plans, forecasts and other expectations with respect to our business, including the success of any measures aimed at reducing costs; the possibility that brands and advertisers may take substantial time to adopting advertising within the immersive gaming platforms, if at all; our ability to realize the anticipated benefits of events that took place during and subsequent to the year ended December 31, 2023, including the possibility that the expected benefits, particularly from our partnership with Roblox and the acquisitions consummated in 2021 and 2023, will not be realized or will not be realized within the expected time period; unknown liabilities that may or may not be within

our control; the full performance and payment of contracts mentioned herein by the Company's customers; attracting new customers and maintaining and expanding our existing customer base; our ability to scale and update our platform to respond to customers' needs and rapid technological change; increased competition in our market and our ability to compete effectively; and expansion of our operations and increased adoption of our platform internationally. Additional risks and uncertainties that could affect our financial condition and operating results will be included in the section titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023 and other filings that we make from time to time with the Securities and Exchange Commission (the "SEC") which, once filed, are available on the SEC's website at www.sec.gov.

All forward-looking statements are qualified in their entirety by the cautionary statements that Super League makes from time to time in its SEC filings and public communications. Super League cannot assure the reader that it will realize the results or developments Super League anticipates, or, even if substantially realized, that they will result in the consequences or affect Super League in the way Super League expects. Forward-looking statements speak only as of the date made, and any forward-looking statements contained in this communication are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, Super League.

Information About Non-GAAP Financial Measures

As used herein, "GAAP" refers to accounting principles generally accepted in the United States of America. To supplement our financial statements included in our annual and quarterly reports filed with the SEC, which financial statements are prepared and presented in accordance with GAAP, this earnings release includes pro forma net loss, a financial measure that is considered a non-GAAP financial measure as defined in Rule 101 of Regulation G promulgated by the Securities and Exchange Commission. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use pro forma net loss, pro forma earnings per share (EPS) and other non-GAAP financial measures for internal financial and operational decision-making purposes and to evaluate period-to-period comparisons of the performance and results of operations of our business. Our management believes these non-GAAP financial measures provide meaningful supplemental information regarding the performance of our business by excluding non-cash goodwill impairment charges, non-cash stock compensation charges, non-cash amortization of intangible asset charges, and non-recurring, non-cash credits, that may not be indicative of our recurring core business operating results. These non-GAAP financial measures also facilitate management's internal planning and comparisons to our historical performance and liquidity. We believe these non-GAAP financial measures are useful to investors as they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and are used by our institutional investors and the analyst community to help them analyze the performance and operational results of our core business.

Pro Forma Net Loss and EPS. We define pro forma net loss as net loss calculated in accordance with GAAP, but excluding non-cash goodwill impairment charges, non-cash stock compensation charges, non-cash amortization of intangible assets, and non-recurring, non-cash credits. Pro forma EPS is defined as pro forma net income divided by the weighted average outstanding shares, on a fully diluted basis, calculated in accordance with GAAP, for the respective reporting period.

Due to the inherent volatility in stock prices, the use of estimates and assumptions in connection with the valuation and expensing of share-based awards and the variety of award types that companies can issue under FASB ASC Topic 718, management believes that providing a non-GAAP financial measure that excludes non-cash stock compensation allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies period to period, as well as providing our management with a critical tool for financial and operational decision making and for evaluating our own period-to-period recurring core business operating results.

Due to the use of estimates and assumptions pursuant to the guidance set forth in FASB ASC Topic 805 in connection with the valuation of assets acquired and liabilities assumed in connection with business combinations, for merger and acquisition transactions that include the issuance of common stock as all or a component of the purchase consideration, management believes that providing a non-GAAP financial measure that excludes non-cash goodwill and non-cash amortization related to these assets acquired for the applicable reporting period allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies period to period, as well as providing our management with a critical tool for financial and operational decision making and for evaluating our own period-to-period recurring core business operating results.

There are several limitations related to the use of pro forma net loss and EPS versus net loss EPS calculated in accordance with GAAP. For example, non-GAAP net loss excludes the impact of significant non-cash stock compensation that are or may be recurring for the foreseeable future. In addition, non-cash stock compensation is a critical component of our employee compensation and retention programs and the cost associated with consideration issued in connection with mergers and acquisitions is a critical component of the cost of those acquisitions over the useful lives of the related intangible assets acquired. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net loss and evaluating non-GAAP net loss in conjunction with net loss and EPS calculated in accordance with GAAP.

The accompanying table below titled "Reconciliation of GAAP to Non-GAAP Financial Information" provides a reconciliation of the non-GAAP financial measures presented to the most directly comparable financial measures prepared in accordance with GAAP.

Investor Relations Contact:

Shannon Devine / Mark Schwalenberg

MZ North America

Main: 203-741-8811

SLE@mzgroup.us

Media Contact

Sage D'Amico

Moxie Group

superleague@moxiegrouppr.com

