

June 24, 2022



Allied Esports Entertainment Announces First 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 first quarter ended March 31, 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 first quarter 2022 results and strategic process, the Company’s Interim CEO, Lyle Berman, said, “I am very pleased with the operational performance of our Esports business, which generated record revenue and adjusted EBITDA during the quarter and has continued to gain momentum as we emerge from the pandemic and move to a more normalized environment. This solid operational recovery is helping drive strong interest from outside parties as we move ahead with our previously stated objective to pursue strategic alternatives for the Esports operations, including a potential sale of the business.”

Mr. Berman continued, “Concurrently, we continue to make progress in our ongoing efforts to invest the cash on our balance sheet to acquire or merge with an existing business. At the end of the first quarter, our cash balance totaled nearly \$96 million, including restricted cash. We remain focused on finding the best opportunity available to maximize value for our shareholders. While we are limited in what we can currently disclose about the process, I look forward to providing the market with an update on our progress at the appropriate time.”

First Quarter 2022 Financial Results

Revenues: Total revenues of \$2.4 million increased 381% for the first quarter of 2022 compared to the first quarter of 2021. The improvement was driven by increased foot traffic at the Company’s HyperX Arena Las Vegas due to an increased number of events, sponsorship revenue from the launch of Allied Esports’ first original branded content offering, as well as first time Non-Fungible Token (NFT) sales and other encouraging results from the Company’s Multiplatform Content pillar.

Costs and expenses: Total costs and expenses for the first quarter of 2022 were \$6.2 million, an increase of 15% compared to the first quarter of 2021. Costs and expenses increased primarily due to the increase in in-person expenses due to the recovery of live in-person events.

Net loss for the first quarter of 2022 was \$3.8 million compared to a net loss of \$3.3 million in the prior year period.

Adjusted EBITDA loss was \$2.5 million for the first quarter of 2022 compared to a loss of \$3.3 million in the first 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 March 31, 2022, the Company had a cash position of \$95.7 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 March 31, 2022, the Company had approximately 39.1 million shares of outstanding common stock.

Operational Update

Allied Esports achieved its best quarterly performance of all time in both revenue and adjusted EBITDA during the first quarter, culminating in positive adjusted EBITDA results in the month of March.

During the quarter, Allied Esports' content division, AE Studios, launched its first original branded content offering, *ELEVATED Presented by Progressive Insurance*, with supporting sponsors Tyson Foods and HyperX. ELEVATED is a new live and interactive show on Twitch that gives streamers exposure and awareness to a larger audience. The initial run of ELEVATED, which is currently in development on its second season, delivered over 10 million live views and 3 million VOD views.

Also during the quarter, the company's first NFT collection, EPICBEAST, minted 1,958 NFTs on the Ethereum Blockchain, propelling Allied Esports into the next evolution of the Internet, Web3, which leverages digital ownership powered by blockchain technology in the development, activation, rewarding and monetization of communities.

During the first quarter, Allied Esports produced 92 events with 68 proprietary events and 24 third party productions across its North American and European business units. Proprietary and third party events at HyperX Arena Las Vegas were up 56%, with total in-arena tournament entries up 42% compared to the fourth quarter of 2021. Third party events were highlighted by the Unified Pro-Am Association World Championship, LVL UP EXPO, the Rainbow Six North America League, the European Qualifiers for Ubisoft's Six Invitational and DIGI1.

Lastly, Allied Esports announced a partnership with NASCAR to execute the eNASCAR Arcade at 17 NASCAR Cup Series events in 2022 with five events having taken place during the first quarter, including the Busch Light Clash at The Coliseum in Los Angeles, the DAYTONA 500 in Daytona, Florida, the Wise Power 400 at Auto Club Speedway in Fontana, California, the Ruoff Mortgage 500 at Phoenix Raceway in Phoenix, Arizona and the EchoPark Automotive Grand Prix at Circuit of the Americas in Austin, Texas.

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.

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, but also excluding certain non-recurring items, such as the forgiveness of loans from the Paycheck Protection Program (PPP).

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

March 31, 2022	December 31, 2021
(unaudited)	

Assets

Current Assets		
Cash	\$ 90,728,536	\$ 92,887,030
Accounts receivable	889,929	389,040
Prepaid expenses and other current assets	802,317	984,777
Total Current Assets	<u>92,420,782</u>	<u>94,260,847</u>
Restricted cash	5,000,000	5,000,000
Property and equipment, net	5,334,573	6,136,893
Digital assets	218,785	-
Intangible assets, net	25,829	26,827
Deposits	379,105	379,105
Total Assets	<u>\$ 103,379,074</u>	<u>\$ 105,803,672</u>

Liabilities and Stockholders' Equity

Current Liabilities		
Accounts payable	\$ 388,209	\$ 341,161
Accrued expenses and other current liabilities, current portion	3,374,331	2,966,245
Accrued expenses - related party	1,800,000	1,800,000
Deferred revenue	365,537	141,825
Total Current Liabilities	<u>5,928,077</u>	<u>5,249,231</u>
Deferred rent	1,891,127	1,907,634
Accrued expenses, non-current portion	250,000	-
Total Liabilities	<u>8,069,204</u>	<u>7,156,865</u>
Commitments and Contingencies		
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 March 31, 2022 and December 31, 2021	3,912	3,912
Additional paid in capital	198,186,268	197,784,972
Accumulated deficit	(103,162,880)	(99,411,683)
Accumulated other comprehensive income	282,570	269,606
Total Stockholders' Equity	<u>95,309,870</u>	<u>98,646,807</u>
Total Liabilities and Stockholders' Equity	<u>\$ 103,379,074</u>	<u>\$ 105,803,672</u>

Allied Esports Entertainment, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss

	For the Three Months Ended	
	March 31,	
	2022	2021
Revenues:		
In-person	\$ 2,203,066	501,028
Multiplatform content	208,988	-
Total Revenues	<u>2,412,054</u>	<u>501,028</u>
Costs and Expenses:		
In-person (exclusive of depreciation and amortization)	1,810,353	537,867
Multiplatform content (exclusive of depreciation and amortization)	21,133	-
Selling and marketing expenses	69,038	43,934
General and administrative expenses	3,451,870	3,913,022
Depreciation and amortization	808,612	881,959
Total Costs and Expenses	<u>6,161,006</u>	<u>5,376,782</u>
Loss From Operations	<u>(3,748,952)</u>	<u>(4,875,754)</u>
Other Expense:		
Other (expense) income, net	(6,707)	55,142
Interest income (expense), net	4,462	(153,106)
Total Other Expense	<u>(2,245)</u>	<u>(97,964)</u>
Loss from continuing operations	<u>(3,751,197)</u>	<u>(4,973,718)</u>
Income from discontinued operations, net of tax provision	-	1,637,042
Net loss	<u>\$ (3,751,197)</u>	<u>\$ (3,336,676)</u>

Basic and Diluted Net Loss (Income) per Common Share

Continuing operations	\$ (0.10)	\$ (0.13)
Discontinued operations, net of tax	\$ -	\$ 0.04

Weighted Average Number of Common Shares Outstanding:

Basic and Diluted	39,064,463	38,963,668
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Comprehensive Loss

Net Loss	\$ (3,751,197)	\$ (3,336,676)
Other comprehensive (loss) income:		
Foreign currency translation adjustments	12,964	25,336
Total Comprehensive Loss	<u>\$ (3,738,233)</u>	<u>\$ (3,311,340)</u>

RECONCILIATION OF GAAP NET LOSS FROM CONTINUING OPERATIONS TO ADJUSTED EBITDA

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	
	March 31,	
	2022	2021
Continuing operations		
Net loss from continuing operations	\$ (3,751,197)	\$ (4,973,718)
Interest income, net	4,462	153,106
Depreciation and amortization	808,612	881,959
EBITDA	<u>(2,938,123)</u>	<u>(3,938,653)</u>
Stock compensation	401,296	643,148
Adjusted EBITDA	<u>\$ (2,536,827)</u>	<u>\$ (3,295,505)</u>

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