

November 16, 2022



# Allied Esports Entertainment Announces Third 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 third quarter ended September 30, 2022. 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 third quarter 2022 results and strategic process, the Company’s Chief Executive Officer, Yinghua Chen, said, “As the recovery of our Esports operations continues to gain momentum, we delivered strong sequential quarter revenue growth of 35%. With a robust slate of Esports events scheduled for the fourth quarter, we expect a strong finish to the year. I am also very pleased with our continued progress in evaluating strategic alternatives for our business, including investing the cash on our balance sheet for M&A opportunities to generate profitable growth and drive shareholder value. We intend to provide the market with an update on these activities at the appropriate time.”

## Third Quarter 2022 Financial Results

**Revenues:** Total revenues of \$1.6 million decreased 7% for the third quarter of 2022 compared to the third quarter of 2021, but were up 35% from the second quarter of 2022. The decline from the third quarter of 2021 was driven by a year-over-year reduction in our multi-platform content revenues, most notably from live streaming events with Trovo. The sequential improvement was primarily driven by an increase in proprietary and third-party production events at our Esports arena.

**Costs and expenses:** Total costs and expenses for the third quarter of 2022 were \$3.3 million, a decrease of 42% compared to the third quarter of 2021. The net decrease in costs and expenses is primarily due to a \$1.0 million, or 29%, reduction in general and administrative expenses, consisting primarily of severance payments to a former executive and professional fees related to the sale of WPT as well as a \$1.1 million reduction in non-cash depreciation and amortization expense.

Net loss for the third quarter of 2022 was \$1.6 million compared to net income of \$74.3 million in the prior year period. The 2021 net income includes an \$80.4 million gain on the sale of WPT partially offset by a \$3.2 million loss from discontinued operations prior to the sale of WPT.

Adjusted EBITDA loss was \$1.8 million for the third quarter of 2022 compared to a loss of

\$3.0 million in the third 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 September 30, 2022, the Company had a cash position of \$89.2 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. At September 30, 2022, the Company had a working capital position of \$81.6 million compared to \$89.0 million at December 31, 2021. As of September 30, 2022, the Company had approximately 39.1 million shares of outstanding common stock.

## **Operational Update**

Allied Esports produced 93 events in the third quarter of 2022, with 61 proprietary events and 32 third party events. Third party events were up 23% over the second quarter of 2022 and were highlighted by HackerOne, Universal Domino League, the Rainbow Six North America League and The Ultimate Crown: The Ultimate Battle featuring MrBeast, Ninja, Voyboy, Mizkif, Tyler1, Doublelift and Ludwig among other top influencers.

Live event and production business continued to grow stronger with the Company's HyperX Arena Las Vegas posting its best quarter year to date while growing revenues by 51% and improving adjusted EBITDA by 32% over the second quarter.

The Allied Esports Trucks were active with five eNASCAR Arcade events taking place in the third quarter of 2022 at the Richmond FireKeepers Casino 400 at Michigan International Speedway in Brooklyn, Michigan, the NASCAR Cup Series Race at Richmond Raceway in Richmond, Virginia, Go Bowling at The Glen at Watkins Glen International in Watkins Glen, New York, the Coke Zero Sugar 400 at Daytona International Speedway in Daytona Beach, Florida, and the Cook Out Southern 500 at Darlington Raceway in Darlington, South Carolina. In addition, the company executed pop-up gaming exhibition events for Boys and Girls Club at the Keystone Conference in Anaheim, California, for NASCAR at Bubba's Block Party featuring Bubba Wallace in Richmond, Virginia, for NASCAR and the Coca-Cola iRacing Series at University of Central Florida in Orange County, Florida and for NASCAR in partnership with Southern Computer Warehouse at Kansas Speedway in Kansas City, Kansas.

## **Corporate Developments**

During the third quarter of 2022, the Company's Board of Directors (the "Board") appointed Yinghua Chen as Chief Executive Officer. Ms. Chen had previously served as the Company's President, Chief Investment Officer and Board Secretary. Given Ms. Chen's additional responsibilities as Chief Executive Officer, Ms. Chen no longer serves the Company as Chief Investment Officer or Board Secretary, but continues to serve as President. Ms. Chen assumed the Chief Executive Officer position from Lyle Berman, who served as Interim Chief Executive Officer since February 2022. Mr. Berman retained his position as Co-Chairman of the Board, and has been appointed as Vice President, Mergers & Acquisitions, where he will be more focused on the Company's M&A activities.

Subsequent to the end of the third quarter of 2022, the Company announced Judson

Hannigan resigned as Chief Executive Officer of Allied Esports International, Inc., the Company's wholly owned subsidiary that operates the Allied Esports business. In addition, due to increased global economic uncertainty and in an effort to improve the Company's cash flow and financial flexibility, the Company is in the process of closing Allied Esports' European office and will manage its operations through Allied Esports' facilities in the U.S.

As previously announced, late in 2021, the Company 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. The Company intends to provide further updates at the appropriate time.

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

### **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, financial 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 or invest 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**

	September 30, 2022	December 31, 2021
	(unaudited)	
<b>Assets</b>		
Current Assets		
Cash	\$ 84,225,000	\$ 92,887,030
Accounts receivable	121,394	389,040
Prepaid expenses and other current assets	1,214,231	984,777
Total Current Assets	85,560,625	94,260,847
Restricted cash	5,000,000	5,000,000
Property and equipment, net	4,831,180	6,136,893
Digital assets	56,970	-
Intangible assets, net	23,833	26,827
Deposits	379,105	379,105
Total Assets	<u>\$ 95,851,713</u>	<u>\$105,803,672</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 745,584	\$ 341,161
Accrued expenses and other current liabilities	2,768,895	2,966,245
Accrued expenses - related party	-	1,800,000
Deferred revenue	411,510	141,825
Total Current Liabilities	3,925,989	5,249,231
Deferred rent	1,708,115	1,907,634
Total Liabilities	5,634,104	7,156,865
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, 39,085,470 shares issued and outstanding at September 30, 2022 39,116,907 shares issued and outstanding at December 31, 2021	3,909	3,912
Additional paid in capital	198,528,534	197,784,972
Accumulated deficit	(108,494,062)	(99,411,683)
Accumulated other comprehensive income	179,228	269,606
Total Stockholders' Equity	90,217,609	98,646,807
Total Liabilities and Stockholders' Equity	<u>\$ 95,851,713</u>	<u>\$105,803,672</u>

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
In-person	\$ 1,551,963	\$ 1,455,867	\$ 4,884,400	\$ 2,627,781
Multiplatform content	13,679	229,961	251,130	383,684
<b>Total Revenues</b>	<u>1,565,642</u>	<u>1,685,828</u>	<u>5,135,530</u>	<u>3,011,465</u>
<b>Costs and Expenses:</b>				
In-person (exclusive of depreciation and amortization)	1,112,645	1,249,640	4,002,312	2,442,750
Multiplatform content (exclusive of depreciation and amortization)	31,010	87,373	95,507	214,258
Selling and marketing expenses	54,445	87,755	185,614	216,428

General and administrative expenses	2,397,901	3,385,418	8,470,193	9,659,425
Depreciation and amortization	(328,739)	806,137	1,288,106	2,495,939
Impairment of digital assets	-	-	164,411	-
<b>Total Costs and Expenses</b>	<u>3,267,262</u>	<u>5,616,323</u>	<u>14,206,143</u>	<u>15,028,800</u>
<b>Loss From Operations</b>	<u>(1,701,620)</u>	<u>(3,930,495)</u>	<u>(9,070,613)</u>	<u>(12,017,335)</u>
<b>Other Expense:</b>				
Gain on forgiveness of PPP loans and interest	-	912,475	-	912,475
Other (expense) income, net	34,073	54,434	(45,859)	69,413
Interest income (expense), net	25,316	(11,809)	34,093	(269,411)
Total Other Expense	<u>59,389</u>	<u>955,100</u>	<u>(11,766)</u>	<u>712,477</u>
<b>Loss from continuing operations</b>	<u>(1,642,231)</u>	<u>(2,975,395)</u>	<u>(9,082,379)</u>	<u>(11,304,858)</u>
(Loss) income from discontinued operations, net of tax provision:				
Loss from discontinued operations before the sale of WPT	-	(3,151,740)	-	(1,099,033)
Gain on sale of WPT	-	80,429,729	-	80,429,729
<b>Income from discontinued operations</b>	<u>-</u>	<u>77,277,989</u>	<u>-</u>	<u>79,330,696</u>
<b>Net income (loss)</b>	<u>\$ (1,642,231)</u>	<u>\$ 74,302,594</u>	<u>\$ (9,082,379)</u>	<u>\$ 68,025,838</u>
<b>Basic and Diluted Net Loss (Income) per Common Share</b>				
Continuing operations	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>	<u>\$ (0.23)</u>	<u>\$ (0.29)</u>
Discontinued operations, net of tax	<u>\$ -</u>	<u>\$ 1.98</u>	<u>\$ -</u>	<u>\$ 2.03</u>
<b>Weighted Average Number of Common Shares Outstanding:</b>				
Basic and Diluted	<u>39,094,696</u>	<u>39,056,403</u>	<u>39,092,133</u>	<u>38,989,671</u>
<b>Comprehensive Loss</b>				
<b>Net Loss</b>	<u>\$ (1,642,231)</u>	<u>\$ 74,302,594</u>	<u>\$ (9,082,379)</u>	<u>\$ 68,025,838</u>
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(31,747)	(22,031)	(90,378)	35,889
<b>Total Comprehensive Loss</b>	<u>\$ (1,673,978)</u>	<u>\$ 74,280,563</u>	<u>\$ (9,172,757)</u>	<u>\$ 68,061,727</u>

## 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 related to the sale of WPT, impairment losses, conversion inducement expenses and extinguishment losses.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Continuing operations</b>				
Net loss from continuing operations	\$(1,642,231)	\$(2,975,395)	\$(9,082,379)	\$(11,304,858)
Interest (income) expense, net	(25,316)	11,809	(34,093)	269,411
Federal, state, and foreign taxes	-	(48,400)	-	(48,400)
Depreciation and amortization	(328,739)	806,137	1,288,106	2,495,939
<b>EBITDA</b>	<u>(1,996,286)</u>	<u>(2,205,849)</u>	<u>(7,828,366)</u>	<u>(8,587,908)</u>
Stock compensation	238,840	151,220	793,229	1,081,362
PPP loan forgiveness	-	(912,475)	-	(912,475)
Impairment expense	-	-	164,411	-
<b>Adjusted EBITDA</b>	<u><u>\$(1,757,446)</u></u>	<u><u>\$(2,967,104)</u></u>	<u><u>\$(6,870,726)</u></u>	<u><u>\$ (8,419,021)</u></u>

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20221116005850/en/>

**Investor Contact:**

Lasse Glassen

Addo Investor Relations

[lglassen@addo.com](mailto:lglassen@addo.com)

424-238-6249

**Media Contact:**

Brian Fisher

Allied Esports Entertainment

[brian@alliedesports.com](mailto:brian@alliedesports.com)

Source: Allied Esports Entertainment, Inc.