

November 9, 2023



Allied Gaming & Entertainment Announces Third Quarter 2023 Financial Results

NEW YORK--(BUSINESS WIRE)-- Allied Gaming & Entertainment, Inc. (NASDAQ: AGAE) (the "Company" or "AGAE"), a global experiential entertainment company, today announced financial results for the third quarter ended September 30, 2023.

"We continue to make strides towards our strategic goals, achieving positive net income driven by a significant reduction in general and administrative expenses. Our commitment to growing within the esports, gaming, and entertainment sectors remains unwavering," stated Yinghua Chen, Chief Executive Officer of the Company. "We are also excited to announce the closing of our strategic investment in Beijing Lianzhong Zhihe Technology Co. ("Zhihe"), which positions us as the largest shareholder, strengthening our presence in the rapidly expanding mobile games market and boosting our revenue and profitability."

Third Quarter 2023 Financial Results

Revenues: Total revenues of \$1.1 million decreased 28% compared to \$1.6 million in the third quarter of 2022. The year-over-year decrease was primarily attributable to a temporary decline in in-person experience revenues at the Company's Hyper X Arena in Las Vegas.

Costs and expenses: Total costs and expenses were \$1.8 million, a decrease of 46% compared to the third quarter of 2022. The improvement was driven by a strategic reduction in the Company's general & administrative expenses of 63%, which include cash compensation, stock-based compensation, and the recognition of employee retention credit refunds under the 2020 CARES and subsequent acts, and a 48% decrease in the Company's in-person expenses. These decreases were partially offset by an increase in depreciation and amortization expense, acquisition related professional fees, and consulting fees incurred in connection with other strategic investment opportunities.

Net income for the third quarter of 2023 improved significantly to a positive \$0.1 million compared to a net loss of \$1.6 million in the prior year period. Net income in the third quarter of 2023 includes approximately \$716,000 of interest income earned on short-term investments.

Furthermore, adjusted EBITDA loss was \$0.2 million for the third quarter of 2023, a considerable improvement from a loss of \$1.8 million in the third quarter of 2022. A reconciliation of the GAAP-basis net income (loss) to adjusted EBITDA is provided in the table at the end of this press release.

Balance Sheet

As of September 30, 2023, the Company had a cash and short-term investments position of \$77.4 million, including \$5.0 million of restricted cash. This compared to \$86.8 million in cash and short-term investments at December 31, 2022, which also included \$5.0 million of

restricted cash. At September 30, 2023, the Company had a working capital position of \$73.9 million compared to \$79.1 million at December 31, 2022. AGAE's working capital positions on September 30, 2023 and December 31, 2022 were reduced by operating lease liabilities of \$1.4 million and \$1.2 million, respectively, recorded in connection with the Company's implementation of the new leasing standard (ASC 842) on December 31, 2022. As of September 30, 2023, the Company had approximately 36.8 million shares of outstanding common stock.

During the third quarter, the Company bought back a total of 183,021 shares of its common stock at an average selling price of \$0.98 for a total cost of \$171,355, excluding broker fees. Moving forward, the manner, timing and amount of any purchases will continue to be based on an evaluation of market conditions, stock price and other factors.

Operational Update

Allied Esports produced 79 event days in the third quarter of 2023, with 44 proprietary event days and 35 third-party event days. Third-party events were highlighted by Boxing Weekend Reception; a Red Bull and Riot Games event; Hacker1, a 5-day hackathon event; a Cox Communications event; and the UNLV Hockey Annual Giving Day. The Company's Omen Mobile Arena was also active during the quarter, hosting events at the NHL Draft and three UNLV college football games at Allegiant Stadium in Paradise, Nevada.

In addition, during the quarter, the Company rolled out a new set of HP OMEN PCs and monitors to retrofit and update the gaming zones within the HyperX Arena.

Corporate Developments

Subsequent to quarter end, AGAE announced the closing of the previously announced strategic investment in Zhihe. As of October 31, 2023, AGAE has assumed a controlling interest in the Board of Directors of Zhihe for purpose of financial statement consolidation and became the largest shareholder of Zhihe, a prominent developer and operator of casual mobile games with proven distribution capabilities.

Third Quarter 2023 Conference Call

The Company will host a conference call today at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss its third quarter 2023 financial results. Participants may join the conference call by dialing 1-833-816-1413 (United States) or 1-412-317-0505 (international).

A live webcast of the conference call will also be available on Allied Gaming & Entertainment's Investor Relations site at ir.alliedgaming.gg. Additionally, financial information presented on the call will be available on Allied Gaming & Entertainment's Investor Relations site. For those unable to participate in the conference call, a telephonic replay of the call will also be available shortly after the completion of the call, until 11:59 p.m. Eastern Time on Thursday, November 23, 2023, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and using the replay passcode: 10183236.

About Allied Gaming & Entertainment

Allied Gaming & Entertainment, Inc. (Nasdaq: AGAE) is a global experiential entertainment company focused on providing a growing world of gamers with unique experiences through

renowned assets, products and services. For more information, visit alliedgaming.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. Non-GAAP financial measures are not an alternative to the Company’s GAAP financial results and may not be calculated in the same manner as similar measures presented by other companies.

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 and non-recurring charges, such as stock-based compensation, business acquisition transaction costs and impairment expense.

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. The inclusion of such information should not be regarded as a representation by the Company, or any person, that the objectives of the Company will be achieved. Important factors, among others, that may affect actual results or outcomes include: risks associated with the future direction or governance of the Company; our ability to execute on our business plan; the substantial uncertainties inherent in the acceptance of existing and future products and services; the ability to retain key personnel; potential litigation; general economic and market conditions impacting demand for our services; our inability to enter into one or more future acquisition or strategic transactions ; 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 AGAE 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, 2022, as filed with the SEC on March 24, 2023, as amended, 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 Gaming & Entertainment, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	September 30,	December 31,
	2023	2022
	(unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 10,435,990	\$ 11,167,442
Short-term investments	59,950,000	70,000,000
Interest receivable	2,058,576	677,397
Due from affiliate	3,500,000	-
Accounts receivable	10,673	72,739
Prepaid expenses and other current assets	470,390	459,274
Total Current Assets	76,425,629	82,376,852
Restricted cash	5,000,000	5,000,000
Property and equipment, net	3,794,373	4,005,622
Digital assets	49,300	49,761
Intangible assets, net	688,721	72,786

Deposits		380,703	379,105
Operating lease right-of-use asset		5,411,841	5,845,549
Total Assets		<u>\$ 91,750,567</u>	<u>\$ 97,729,675</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$	470,264	\$ 317,561
Accrued expenses and other current liabilities		306,270	1,645,379
Deferred revenue		357,677	108,428
Operating lease liability, current portion		1,390,533	1,227,164
Total Current Liabilities		<u>2,524,744</u>	<u>3,298,532</u>
Operating lease liability, non-current portion		5,744,166	6,527,075
Total Liabilities		<u>8,268,910</u>	<u>9,825,607</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, 39,085,470 shares issued at September 30, 2023 and December 31, 2022, and 36,842,663 and 38,503,724 shares outstanding at September 30, 2023 and December 31, 2022, respectively		3,909	3,909
Additional paid in capital		198,663,219	198,526,614
Accumulated deficit		(112,745,327)	(110,235,568)
Accumulated other comprehensive income		221,555	219,675
Treasury stock, at cost, 2,242,807 and 581,746 shares at September 30, 2023 and December 31, 2022, respectively		(2,661,699)	(610,562)
Total Stockholders' Equity		<u>83,481,657</u>	<u>87,904,068</u>
Total Liabilities and Stockholders' Equity		<u>\$ 91,750,567</u>	<u>\$ 97,729,675</u>

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenues:				
In-person	\$ 1,119,865	\$ 1,551,963	\$ 3,580,968	\$ 3,734,400
Multiplatform content	94	13,679	2,000,518	1,401,130
Total Revenues	<u>1,119,959</u>	<u>1,565,642</u>	<u>5,581,486</u>	<u>5,135,530</u>
Costs and Expenses:				
In-person (exclusive of depreciation and amortization)	575,176	1,112,645	1,891,229	2,784,933
Multiplatform content (exclusive of depreciation and amortization)	-	31,010	1,517,707	1,020,886
Selling and marketing expenses	51,448	54,445	172,987	185,614
General and administrative expenses	894,181	2,397,901	5,660,553	8,762,193
Depreciation and amortization	239,413	(328,739)	1,030,191	1,288,106
Impairment of digital assets	-	-	-	164,411
Total Costs and Expenses	<u>1,760,218</u>	<u>3,267,262</u>	<u>10,272,667</u>	<u>14,206,143</u>
Loss From Operations	<u>(640,259)</u>	<u>(1,701,620)</u>	<u>(4,691,181)</u>	<u>(9,070,613)</u>
Other Income (Expense):				
Other (expense) income, net	(388)	34,073	15,954	(45,859)
Interest income, net	715,893	25,316	2,165,468	34,093
Total Other Income (Expense)	<u>715,505</u>	<u>59,389</u>	<u>2,181,422</u>	<u>(11,766)</u>
Net income (loss)	<u>75,246</u>	<u>(1,642,231)</u>	<u>(2,509,759)</u>	<u>(9,082,379)</u>
Other comprehensive income:				
Foreign currency translation adjustments	-	(31,747)	1,880	(90,378)
Total Comprehensive Income (Loss)	<u>\$ 75,246</u>	<u>\$ (1,673,978)</u>	<u>\$ (2,507,879)</u>	<u>\$ (9,172,757)</u>

Net Income (Loss) per Common Share

Basic	\$ 0.00	\$ (0.04)	\$ (0.07)	\$ (0.23)
Diluted	\$ 0.00	\$ (0.04)	\$ (0.07)	\$ (0.23)

Weighted Average Number of Common Shares Outstanding:

Basic	36,942,149	39,094,696	37,351,735	39,092,133
Diluted	36,942,149	39,094,696	37,351,735	39,092,133

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 AGAE’s profitability or liquidity. AGAE’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 AGAE’s peers without regard to AGAE’s financing methods, hedging positions or capital structure and because it highlights trends in AGAE’s business that may not otherwise be apparent when relying solely on GAAP measures. AGAE 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 AGAE presents may not be comparable to similarly titled measures of other companies. AGAE defines EBITDA as earnings before interest, income taxes, depreciation and amortization of intangibles. AGAE defines Adjusted EBITDA as EBITDA excluding stock-based compensation, business acquisition transaction costs and impairment expense.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 75,246	\$ (1,642,231)	\$ (2,509,759)	\$ (9,082,379)
Interest income, net	(715,893)	(25,316)	(2,165,468)	(34,093)
Depreciation and amortization	239,413	(328,739)	1,030,191	1,288,106
EBITDA	(401,234)	(1,996,286)	(3,645,036)	(7,828,366)
Stock compensation	64,623	238,840	136,605	793,229
Business acquisition transaction costs	173,938	-	173,938	-
Impairment expense	-	-	-	164,411
Adjusted EBITDA	\$ (162,673)	\$ (1,757,446)	\$ (3,334,493)	\$ (6,870,726)

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20231108818234/en/>

Investor Contact:

Tyler Drew

Addo Investor Relations

ir@alliedgaming.gg

Source: Allied Gaming & Entertainment, Inc.