



**Super League Enterprise, Inc.**

**Fourth Quarter and Full Year 2023 Conference Call**

**March 27, 2024**

## C O R P O R A T E   P A R T I C I P A N T S

**Ann Hand**, *Chief Executive Officer*

**Clayton Haynes**, *Chief Financial Officer*

## C O N F E R E N C E   C A L L   P A R T I C I P A N T S

**Howard Halpern**, *Taglich Brothers*

**Scott Buck**, *H.C. Wainwright*.

**Jack Vander Aarde**, *Maxim Group*

## P R E S E N T A T I O N

### Operator

Greetings, and welcome to the Super League Fourth Quarter and Full Year 2023 Conference Call.

Please note, this conference is being recorded.

Before we begin, I'd like to caution listeners that comments made by Management during this call may include forward-looking statements within the meaning of applicable securities laws. These statements involve material risks and uncertainties, and actual results could differ from those projected in any forward-looking statements due to numerous factors.

For a description of these risks and uncertainties, please see Super League's financial statements and MD&A for the fourth quarter and full year 2023 ended December 31, 2023, available on EDGAR. Important qualifications regarding forward-looking statements are also contained in Super League's earnings release distributed earlier this afternoon and also available on EDGAR.

Furthermore, the content of this conference call contains time-sensitive information accurate only as of today, March 27, 2024. Super League undertakes no obligation to revise or otherwise update any statements to reflect events or circumstances after the date of this call.

I'd now like to turn the conference over to Ann Hand, Chief Executive Officer.

### Ann Hand

Thank you very much for the kind introduction, and thank you all for joining us this afternoon to hear more about Super League's progress.

I'm really proud to report our Super League fourth quarter and full year 2023 financial results and provide an update on our Company's tremendous operational progress.

Twenty-twenty-three was a game changing year for us highlighted by record revenues, balance sheet fortification, streamlined operations and a materially reduced operating expense structure. It is worth to mention, our largest single contract in Company history, specifically related to our record revenue performance, fourth quarter revenues grew 34% year-over-year, a quarterly record of \$9.5 million, resulting in full year 2023 record again revenue of \$25.1 million, an increase of 27% from full year 2022.

More importantly, what became evident over the course of the year is that brands are catching on to the imperative to meet Generation Z and Alpha in immersive entertainment platforms. These are the next great marketing channels where brands can reach massive young audiences and speak to them in a highly customized and personalized way to ultimately drive brand preference and conversion.

There's a historic template for what's going on right now in advertising. Audiences shifted from linear TV to streaming, and now ad dollars have caught up. Similarly, audiences moved to social media 15, 20 years ago, and those brand dollars inevitably followed. We are about to see another seismic shift as large audiences already exist in these immersive social platforms and brands are racing to catch up.

Super League offers scalable solutions through our deep strategic and creative capability, coupled with our suite of proprietary products and measurement tools that enable brands to speak this important language of 3D engagement and respond to this sizable audience migration that's moved again towards immersive platforms.

Our rising numbers speak for themselves as we continue to execute in 2023. We served over 100 brands and IP owners with pretty impressive highlights. Eleven custom builds with peak engagement at times as high as 30.5 minutes, you often hear me say this is like product placement on steroids. Fifteen custom integrations into existing popular experiences on Roblox, Minecraft, and Fortnite, generating more than 330 million visits; again, let's underline that, 330 million visits across 15 custom integrations.

We delivered over 180 media campaigns on Roblox and Minecraft. These are campaigns that are in that mid five to seven figures range. They're on-platform media buys that provide advertisers with large reach and often serve to amplify and drive traffic to our immersive experiences.

Additionally, we did over 40 supportive media campaigns across video, mobile, social media and influencer marketing to further amplify our experiences off-platform. We generated 340 pieces of video content, generating tens and millions of views across TikTok, YouTube and Snap for campaign amplification. Even in the consumer side, the direct-to-consumer side, we had 81 million try-ons on behalf of brands promoting branded Avatar items. Blue chip brands such as L'Oreal, Visa, Toyota, we're just naming a tiny few here of that north of 100, sought out Super League as a partner.

As for key trends, investors often ask me about the importance of artificial intelligence, obviously, a very hot topic these days that can either accelerate a business success or challenge its overall model. Super League is a clear beneficiary of AI. We already use the technology to accelerate our creative development process and other operational workflows. However, we're riding other key trends as well. The rise of co-creation platforms, like Roblox and TikTok, that empower everyone to be a content creator.

Another mega trend is just how the next generation's shift is occurring in consumer behavior. This is the first truly digitally native audience that increasingly expects, in fact, demands brands to first meet them in digital spaces where they commune and socialize and then transfer that brand affinity into real-world preference in commerce.

If we come up a little higher, in-game advertising is expected to be \$150 billion-plus market by 2027. Roblox alone reaches 71 million active users a day with an astounding 156 minutes spent daily per user. That's larger than any other social digital platform. That beats TikTok even by almost 2 times. They have a bold goal of climbing to 1 billion users. Currently, Roblox is trading at 10 times their revenue. Our

opinion is that Roblox is a sleeping giant, and this provides the potential for Super League to benefit from their success and greater secular growth.

Another way to think about the market opportunity, traditional experiential advertising, that's in real life experiential marketing, is a \$50 billion annual market in its own right. While it offers high touch and trial, which can often lead to better conversion, think about it, you get to taste a great wine or drive a new car model, but it's challenging to scale. It's costly, very expensive, and then there are the obvious geographic constraints.

As a simple example, imagine the tens of millions of potential car buyers that could test drive a BMW or a Toyota just over one weekend digitally first, without the impediment of driving distance to a local dealership, operating hours or even just availability of test drive slots, the opportunities for immersive experiences offer so much more than a better replacement to traditional digital marketing.

Immersive experiences can transform business models. Immersive digital spaces can offer scale and cost efficiency and can upend a brand's approach to R&D, learning development, supply chain and logistics and so much more. This is where we live, where we thrive and why we are poised to add enterprise value to brands and IP owners aside from just smarter deployment of marketing dollars.

Let's turn to our pipeline health as a key leading indicator. Our continued traction and growing operating leverage are reflected in the increase in our average deal size, now approaching that \$400,000 range. We closed on six seven-figure deals in 2023, including, as I've already mentioned, that largest deal in our history with Kraft Lunchables valued at nearly \$4 million across the second half of the year.

We continue to have a strong repeat buying percentage in that 70% range, but more importantly, we're also continuing to diversify the breadth of our global brand and category reach as well. As I've previously shared, these larger deal sizes and more predictable brand programs are shifting our business model from one that is short-term and campaign centric to revenues that are larger and more recurring in nature, revenue streams connected to a brand's long-term strategy to interact with these social digital communities in a persistent way, just as they already do in traditional social media channels like TikTok and Instagram.

As we grow and deliver on these larger programs, it verifies our unique position as the enterprise solution for brands to implement persistent omnichannel marketing and commerce across a variety of immersive platforms, ultimately driving consumers back to a brand's own owned and operated immersive website and commerce experience.

Now it's worth reiterating how we view the brand journey as this underpins not just how we scale and measure success, but also how that business model of ours does transform over time.

First, we introduce a brand to our immersive engagement offerings to help them achieve singular campaign objectives. We measure our success by the number of new brands that enter the funnel.

Next, we become the immersive marketing solution of choice for our brand's various ongoing marketing campaigns. Think about, in that case, it's the fact that Universal Studios came back time and time again last year and kept putting money to work every time they had a new family-friendly movie release. We measure that success by repeat percentages, but also larger aggregate annual brand spend. That's one of our seven figure partners from last year.

Then we guide brands to create persistent, immersive strategies and presence. We measure our success based on the number of larger deal sizes because these are now annual in nature and longer-term brand programs. Again, that is what makes those feel less like an ad model because those are easy to forecast and they start to smooth out the seasonality in our business model and become revenues that feel much more recurring and predictable in nature.

Then finally, the ultimate vision of the Company is to evolve into being, again, the enterprise solution and help brands build out with their omnichannel immersive strategy with crossover to their own websites. We measure our success there through multi-year and multi-platform brand spend and believe there is a potential to participate in new revenue streams over time, such as technology licensing, first-party data and direct-to-consumer monetization.

We don't stop innovating. To accelerate new brands' adoption through collapsed development cycles, making for a more easy, accessible entry point for new brands, we continue to productize repeatable elements of our custom experiences to convert more deeply inside of key verticals. Super League pop-ups, or also think of them as drag-and-drop modules, that can be easily re-skinned for a use of a wide berth of brands and IP owners. From turnkey fashion runways and make-up counters to kitchens and concert stages, experiential products offer scale and higher margin profiles.

Let's go back to that car demo example I mentioned earlier as that was not just a hypothetical. This week, we're launching a virtual drivable car demo product. We are excited to get out and start pitching it to carmakers.

Finally, closing the loop on commerce, we continue to claim a leadership position in driving digital to physical commerce for brands as proven with our programs with Chipotle, Clarks and even Kraft Lunchables. We are currently launching a white label loyalty and reward center to drive more connected online and offline engagement and ultimately, again, more physical conversion and purchase for brands.

Now let's move on to some recent operating highlights. As brands advance in their knowledge and imperative to enter in these new immersive marketing channels, we've implemented several key organizational enhancements to align us with escalating demand. This entailed optimizing the Company's workflows, enhancing internal and external communications and further iterating our team structure and responsibilities. These adaptations are a testament to the Company's significant growth, having successfully executed nearly 200 immersive activations in the past year. This organizational transformation mirrors the evolution of the market where we have established our leadership position. It's time now to meet that increased demand that we're seeing from brand partners.

Beyond just a realignment of the organizational structure, we continue to realize the significant operating cost reductions gained from a set of decisions we started to take over the course of really 18 months ago. We took another step in material cost reductions earlier this month with the announced sale of our Minehut business. The transaction allowed us to further focus our product road map and streamline our already lean operation. It takes about \$2.4 million of additional annualized OpEx out of our cost structure with minimal top line impact.

On the commercial side, we're expanding our offerings to consumers and brands, most notably into Fortnite with a recent partnership announced with Chartis. Chartis is a network of independent Fortnite creative developers with more than 157 million monthly plays on their various Fortnite worlds and nearly 1 billion monthly impressions. Together, we can provide unparalleled opportunities for brands to launch new Fortnite Creative Islands or custom integrations just as we already do with scale in Roblox.

Additionally, Super League is honored to be a part of a broad collaboration with the launch of Boombox across the Roblox platform. Boombox presents a 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; again, a new source of revenue for labels and for the artist. This industry milestone was the result of a year-long collaboration with Universal Music Group, STYNGR and, of course, our partners at Roblox.

We create powerful content that is not just for play, but highly engaging for viewing audiences as well. Our recent announcement of a partnership with GSTV becomes a new distribution channel for our

content across their national network of 29,000 fueling and convenience screens across the country, reaching 115 million unique adults a month. Again, taking the content we've already generated and find new ways to further monetize it for the Company.

Finally, yesterday, we announced a really exciting partnership with Common Sense Networks. They are a singular leader in age-appropriate content moderation and standards for younger audience, and they offer global scale across major gaming video—gaming and video platforms. Connecting and communicating with young consumers in a safe, appropriate, and compliant manner has always been a key tenet of Super League's brand. The combination of Super League's custom and scalable content experiences and immersive entertainment platforms with Common Sense Networks' video channels and proprietary child-safe data and distribution tool offers an unrivaled solution in our point of view for the safety of young consumers.

Looking ahead to 2024, with macro tailwinds demonstrating a nice trajectory, we are uniquely positioned to be a one-stop shop and that omnichannel solution for brands entering immersive entertainment spaces. We continue to push on sales force effectiveness and operating leverage. In fact, our top two sellers in 2023 reached about \$4.5 million in annual booked revenue each. That is 2 times the individual sales capacity or benchmark that was established in 2022. We look forward to another year of strong revenue growth with the trend of larger, longer-term deals, driving us towards breakeven in the second half of the year.

With that, Operator, we can move to Q&A.

**Operator**

Thank you.

(Operator Instructions)

Our first question comes from Scott Buck. Please go ahead and unmute yourself and ask your question.

**Scott Buck**

Hi, Ann. Just a couple of questions from me. First one, it looked like gross margin moved back towards closer to 1Q and 2Q levels during the fourth quarter. How should investors be thinking about gross margins given the shift in strategy moving forward?

**Ann Hand**

Clayton, do you want to take that?

**Clayton Haynes**

Yes, I'll take that. Yes, thanks, Scott. Yes, certainly, as we've discussed on previous calls, margins in any particular quarter are really going to depend upon the mix of products that are contributing to revenues each quarter. I think we highlighted this in Q3 as well. We took a strategic decision to take on a fairly large program with a marquee brand that just happened to have a higher cost profile than the revenues that were generated, for example, in the prior year quarter. We thought that it was beneficial because it gave us an opportunity to really take on this large program and demonstrate to brands that we have the ability to provide a one-stop shop for their campaign objectives.

In Q4, that program certainly is contributing to bringing down the overall average margin. If we were to exclude that particular program, the Q4 margins would be closer to that 44% or 45% level that we saw in the prior year third quarter.

**Ann Hand**

Yes. That's one, Scott, I'd say we would do again and again, because if you think about it, prior to that, our largest program we had run was in that \$1.4 million range. To do a \$3.9 million program with a huge global brand, and it's an intricate program, too, because it's about online engagement. There is consumer and digital monetization opportunities we built for the brand. It's connected to physical retail and QR codes on packaging, so—and it has a rewards loop that feeds from digital to physical and back to digital.

The power of that, what I said, I think, on the last call is, "Can you imagine if we had 10 of those deals, or 12? We're talking about a \$50 million, \$60 million a year for the Company." That's why operating leverage is so important and being able to hold this big program out and really use it as a way to demonstrate to large brands and agencies that we believe we are a rare company that could deliver that type of a large program.

**Scott Buck**

You said if you had 10 to 12 deals of that size, how many deals of that size are out there?

**Ann Hand**

That's a really good question. It's a very fragmented ecosystem. In this case, Lunchables and their agency Publicis, that we have a nice growing strategic relationship with, we're trying to chop it up. It was being chopped up between a few different partners, spread out in that ecosystem. They're partners, for the most part, that do less revenue than us. But equally, there's a couple that are more large, ad agency types. But there came a point where they looked at the complexity of that program, and they turned to us and said, "We think that you're the right company to run the whole program."

The question that you're asking is how many more programs out there are we getting a piece of but not the whole campaign. I would say right now, probably that brand journey I talked about, I think right now, the strike zone that we're in is probably step two. It's where brands, a lot of them, have tasted in small ways these campaigns and are starting to consistently put dollars to work as part of all their marketing campaigns, like the Universal example. I think we're still in that zone where they're smaller campaigns. But I think the opportunity, to use the Lunchables case study, which we plan to put out that case study here soon, I think will drive bigger investment dollars because the results speak for themselves.

I can't totally estimate the exact dollar amount, but I really think two key trends. One is you're going to see brands putting bigger amounts for singular campaigns to work; and secondly, it's going to become a recurring part of their marketing strategies over the course of the whole year.

**Scott Buck**

Great. That's helpful. Then last one for me, what's the plan going forward with the direct-to-consumer business? It feels like it's being left out in the wind.

**Ann Hand**

Yes, I think we've done the right thing in not overinvesting in it out of the gate. It's hard to launch new games, mini games, inside Roblox. It's a little bit like digging for oil, a lot of speculating on what can be the most successful game worlds. We also operate game worlds inside Minecraft. What you continue to see over the last couple of years is modest revenues in that space, in the \$2 million to \$3 million range, but not really a lot of growth.



We've actually been really exploring very different strategies, ways that we can roll up perhaps existing games and almost build verticals around games. Imagine, if you knew that there were three or four games inside Roblox or Minecraft that really spoke to somebody who's interested in fashion or makeup. Those could become things that we could own, that already exist and have success, and as well, they could be places that we could direct brands for their immersive experiences, too. Inevitably, that's going to be higher margin for us and that's going to support the strategy to continue to walk margins up. We have a point of view and an emerging strategy on it, but we're also just being thoughtful about the balance sheet and have prioritized for now the importance of getting to breakeven this year.

The other opportunity with direct-to-consumer is I really believe that, as we help brands build out that omnichannel strategy across multiple immersive entertainment platforms like the Roblox's and Fortnite's of the world, we then have the chance to hit now point four on the brand journey, which is really about, "Okay, it's time to take a look at your website as well." When we start to become the enterprise solution to transform their owned e-commerce solution, I think that's how we can get into new revenue streams like tech licensing that I mentioned but also why not get a piece of some of the consumer monetization, the royalty.

We've even explored things like, if every time I know that I'm driving somebody to download the Chipotle app or a food ordering app on their phone, we could structure our contracts differently to have us be paid for that performance, not just for the service that we provided and pulling off that immersive engagement experience but maybe we start to build in some metrics on the back end that provide additional compensation. Again, those could start to look like consumer monetization as well.

It's on our mind that there's a lot of opportunity there. We're just trying to be really smart about it because, frankly, we've seen some others in the space throw tons of money at consumer monetization and it has not paid off.

**Scott Buck**

Great, that's helpful. I appreciate the time, guys. Thank you very much.

**Ann Hand**

Thank you.

**Operator**

Thank you. Our next question comes from Howard Halpern with Taglich Brothers. Please go ahead and unmute yourself.

**Howard Halpern**

Hi and congratulations. Great quarter. Great year.

**Ann Hand**

Thank you, Howard.

**Howard Halpern**

You talked about the Lunchables campaign and what you had to build for it. Building on that, how easy will it be to repeat a campaign like that or take parts of it into new campaigns that will provide probably some gross margin leverage going forward?



**Ann Hand**

Yes, if I could point people back to my remarks, what I would want, aside from the size of overall deals, I would want to point everyone back to the themes that I made on productization because that's essential and that's something that others don't really do outside of Roblox themselves, right? We aren't just a game studio building one-off experiences that then get thrown away after the campaign. What we're doing is we're looking at those experiences, those custom experiences that we're building, and then we're seeing repeatable elements of them that we can build out as a product and sell over and over and over again.

Think about it, we've done fashion runways and fashion experiences with H&M, Crocs, Oshkosh. We learned a lot in those campaigns. Building out a fashion runway that we can easily re-skin and deploy very quickly and go out and sell to 50 different fashion brands out there is a big idea. It's a big idea because it gives them an easier entry point, a little more reasonable of a price and a quicker activation time. Instead of taking two months to build your personalized, what feels very custom bespoke runway experience, we can have that out of the gate in a couple of weeks. But also, too, because we've done that upfront development, it does mean that those products inevitably have higher margins. They look more like product margins.

If you look at where are—there's really two places our margins come down a bit when you look at it across a weighted basis. First is sometimes we'll take on work that really is not very high margin but it's because it's important because we want to be that one-stop shop. A good example is if a brand says, "I want you to build an experience. I want to buy some of your media products. But also, would you work with a couple of influencers?" We'll do influencer marketing. But we know that it's going to be about a 20% margin. But it's really just to say, instead of giving us \$800,000, give us the full \$1 million. In that way, we win because it's just easy. There's just one company that's managing the whole program. Of course, it's a race to grab top line. In the early days, we wanted that, even if it came at a lower margin.

The other place is when we are using outside devs to create bespoke experiences for us because we have limits in our game studio or we haven't productized enough that we can do them more as turnkey programs. Those can have anywhere from 25% to 30% margin. When we start to build products, those will start to come in at 50%, 60% margin. The more we productize, the more we really aren't, again, just a game studio or a good, old-fashioned digital ad agency, we are a product company and a product company that can scale because of that productized catalog that can bring brands in quicker, get campaigns deployed faster and at higher margins.

The pop-up products that I've mentioned, also the whole notion that we can stitch or bolt on a loyalty rewards component, so we can say to that brand, "Hey, we're not just done by creating a quick productized experience for you. We want to bolt that rewards loyalty program on and show that we can not only create games and incentives and loyalty inside the experience to keep people coming back and playing more but that we can drive it to really matter where it matters most, which is your real-life P&L for your brand." Again, the productized notion of pop-ups or drag-and-drop modules and the loyalty rewards I think are two of the biggest things we are doing this year that changed the business model, the margin profile and the speed with which we can grow top line.

**Howard Halpern**

Okay. Should we still see, even though you are beginning that transition to a longer term and higher, larger deal size, are we still going to see that traditional seasonality first half compared to second half?

**Ann Hand**

Yes, for sure. I think that you won't really start to see a real change in the shape of that really until 2025, 2026 as far as a real smoothing out. But I think what you guys will see is just like I said, we had six seven-

figure programs last year as compared to one the year prior, that our highest deal in 2022 was about \$1.23 million, and we ended the year with \$3.9 million in a single program. That's why those key leading indicators in the pipeline are so essential because that's showing the trend line of brands putting more persistent money to work, and that smooths that seasonality out.

That said, Q1 is looking strong. Obviously, it's not going to be as strong as Q4. But as compared to prior year same quarter, we're happy with those results, even though Q1 is inevitably always the lowest quarter when you have a seasonality-based model.

**Howard Halpern**

Okay. One last one, with you saying that large deal, \$3.9 million in 2023, do you have more than enough, even if you don't have a record deal, do you have more than enough substantial deals to more than cover that \$4 million and grow it in the second half?

**Ann Hand**

Yes, we are—managing both salesperson performance and pipeline is a weekly task at Super League. We're constantly evaluating both the overall pipeline health, we're looking at geographic splits, salesperson splits, but also is the overall pipeline adequate to more than underpin? We're studying things like those win-loss rates. What we try to do is run a really smart pipeline, meaning, by definition, if you don't upfront set up really clear rules about what can enter that pipeline and at what stage it advances in probability, you can get the idea that you're going to have a massive year and the emperor has no clothes.

That's why we have weekly pipeline meetings every Thursday, 11 a.m. Pacific Time, and we scrutinize that pipeline collectively, all of the sales and biz dev leadership. That also allows us to intervene when we think that, why did we lose an RFP? We do those postmortems as well, so we're always ahead of that challenge. But I think we've done a pretty job the last few years, as indicated by our performance, of being very pragmatic in how we do that and making sure we intervene quickly and win more business.

**Howard Halpern**

Okay, thanks. Keep up the great work.

**Ann Hand**

Thank you, Howard.

**Operator**

Thank you. Our next question comes via telephone, and that question comes from Jack Vander Aarde with Maxim Group. Please state your question.

**Jack Vander Aarde**

Okay. Great. Congrats on the strong finish to the year-end. Thanks for taking my questions. Ann, on the sales team front of things, you highlighted top two sellers each achieved \$4.5 million of sales roughly. That's pretty impressive progress for the full year. Do you still have eight direct sales professionals? Maybe just can you remind us how you're thinking about plans and goals with your S&M team hiring and productivity ramp? Thanks.

**Ann Hand**

Yes. No, it's a great point. We have eight sellers. But keep in mind, we also have a couple of business development partners. When we look at that Lunchables program, it takes a couple of people. You've got the strategic sale. Then at the end of the day, there still has to be a seller who takes that deal over the final line and also executes that program.

That reorganization was important because what we realized when we pushed that reorganization in place towards the end of last year is that our salespeople were too tied up executing things. There's really two factors going on with, well, why aren't all of our sellers selling at that new benchmark? One is that we had to reorganize to take a lot of execution off of their plate and really create a team that can manage the brand and the production of all the things to deliver that campaign, so that the seller can turn right back around and just get out chasing new deals.

But the other thing is, and it really leads to your good question is there's a ramp-up time. It's a different sale. We're not just transactionally selling a media buy on YouTube, right? We're educating brands on this new space. They come to us and say, "What is Roblox?" We spend time first just being that real strategist to help them understand what is the landscape of these immersive platforms. We are coming in, in a different way, and there is a learning curve. We do think that it takes a good seller really at least four months and up to six months to really be in a position where they can sell these very strategic products, which is quite different than probably what they were historically selling in the digital media landscape.

That said, we've made a decision that people like myself and Clayton and Matt, our President, we're out every day selling. We've got, again, great business development leaders and people like Zach and Arianna and others. We've, in a good way, lost some patience for saying, "Look, we've got to get people at that curve faster." If it is a strategic sell, then we need to teach those people to be strategic sellers. When you're being given a \$3.9 million program by Kraft and Publicis, they want to hand it to somebody that builds trust, transparency. That's a risk, in some ways, to take on a smaller company. We're committed to continually evaluate and shake it up as required.

#### **Jack Vander Aarde**

Okay. Great. I appreciate the color there. Then just switching gears to M&A, you've closed a few acquisitions in recent history. I think MELON was the most recent, back in May of 2023. Then you recently divested the Minehut business this year. Can you just touch on the M&A front a bit further and whether you're looking at any other strategic moves? If so, what would fill the gaps even further for you, if there's anything there? Just any color there would be helpful on M&A. Thanks.

#### **Ann Hand**

Yes, and I have talked openly about this historically, so I'm not saying anything new. We have a history of being acquisitive. What's happened is, I think increasingly, just over the last six months alone, to me it felt very palpable how much the M&A conversations continue to heat up, so to speak. Now some of that is because it is a very fragmented ecosystem underneath the titans like the Roblox's. It's a lot of mom-and-pop businesses. We've all been swimming in this lane for anywhere from five to 10 years, Super League the longest of many. But our financials are out there as a public company. A lot of the companies that approach us are maybe doing about half our revenue or a third of our revenue.

They can see that we are larger. We had a lot of inbound, saying, "I'd love to get to know you guys better," or maybe we already have collaborated with them. We already partnered with them. They want to get into that M&A conversation. I think it's inevitably because there is a real market opportunity here. This is one of those things where it's like a game of musical chairs. If you sit back and wait, you might just miss out on taking a really dominant position.

We continue to explore M&A and we'll continue to be acquisitive as long as we know that it helps us deliver on the path to breakeven this year and deliver top line growth. We really want these things to

come in the door already breakeven or slightly profitable. Then once we execute on that M&A, we can grow more synergies on both the cost and top line perspective.

The kinds of things that help us, one is more game studio capacity. I mentioned earlier, when you said MELON, well MELON brought in a pipeline of custom worlds they were building for Chipotle and others but it also lifted that capacity so we don't have to outsource as much. We don't want to say no to a program, but we're inevitably going to have lower margins if we outsource. Game studio capacity is a good thing. I wouldn't say that we would stop there.

What we really want on top of it is more product and more tech because that's how we create more of a moat, more defensibility with the unique way we are positioned as this truly a company that does have a tech and product backbone behind the also great creative capability that we've built out. That's how we win big programs. We can do both. The more that we bought or built our own product and tech, the more we solidify that leading position and the way to take down bigger programs.

**Jack Vander Aarde**

Okay. Great. Just maybe just one for me. In case I missed it, it would be helpful, and I understand you don't provide formal guidance, but it would be helpful to just get some added color on maybe the near-term outlook and then just more notably your longer-term outlook. Are you able to reiterate your long-term target over the next few years for that \$100 million-plus revenue and significant gross margin expansion? Thanks.

**Ann Hand**

Yes. The proof points for the margin expansion, that's why I pointed back with Howard back to that product. There's an intro of new products and further productization of experiences. That's where we're going to continue to get that march up to north of 50% and higher. That's essential, right, because, again, that gives us also operating leverage. It means that things take us a fraction of the time to deliver a brand's campaign. It has a multiplier effect. But equally, as far as top line, our rally cry is still to hit that \$100 million over the next few years. I do think that, that comes through organic and inorganic growth. I don't think it takes a lot for us to be able to achieve that.

We aren't giving guidance because we just never really do. But what I will say is the Board-approved plan is another, in our opinion, material step change in revenue for this year. But to the earlier question as well, as we plan, it will have that continued seasonality that is as much as the way you guys and your analyst coverage have distributed our revenues historically.

**Jack Vander Aarde**

Okay. Great. Well, again, congrats on the strong momentum. I will hop back in the queue. Thanks.

**Ann Hand**

Thanks, Jack.

**Operator**

Thank you. We've reached the end of our question-and-answer session. I would like to turn the floor back over to Ann for any further comments.

**Ann Hand**

All right. Well, in closing, I would like to first just put a bit of a spotlight on my dear friend and longtime colleague, David Steigelfest. He is the Director and Co-Founder of Super League. When you look at the more focused product strategy that we have taken on over really the last 12 months and especially the last six, coupled with the recent sale of Minehut, it offers an opportunity for David to explore new endeavors that tap more deeply into platform expertise and entrepreneurial thirst.

I will just say, very personally, oh the laughs, and in some ways, a few of the tears or maybe laughter with tears we've had as we took a company that was about e-sports events and movie theaters and found a business model that really—has been really starting to work the last couple of years. In many ways, it does feel like a new and different company because it is.

For those reasons, with the shift in product strategy, again the sale of Minehut, we're excited for him to have a chance to go quench that entrepreneurial thirst elsewhere. He will be leaving us at the end of the month, but his dedication, exceptional loyalty, super smart, quick-witted, has been essential in helping us build the culture that we have and develop and guide the growth of the Company. His footprint will be forever a part of the Company.

With that, I encourage you to visit [superleague.com](https://superleague.com) to immerse yourself with our capabilities and all the great brand work we do. We wish you a great day, and thank you as always for your continued interest in the Company.

**Operator**

Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time, and have a wonderful day. We thank you for your participation today.