

March 12, 2020



SUPER LEAGUE GAMING REPORTS FOURTH QUARTER AND FULL YEAR 2019 RESULTS

SANTA MONICA, Calif., March 12, 2020 (GLOBE NEWSWIRE) -- **Super League Gaming** (Super League or the Company) (Nasdaq: SLGG), a global leader in competitive video gaming and esports entertainment for everyday players around the world, reported recent operational developments and financial results for the fourth quarter and full year ended December 31, 2019.

Recent Operational Developments

- OnePlus signed as a sponsor of the PUBG MOBILE North American Super League 2019-2020 season.
- Super League Prime, a premium subscription service, was launched in December, initially targeting users in North American gaming centers running ggCircuit's platform.
- Veteran marketing guru John Boyden, known for his success with multiple consumer digital services and subscription products, joined Super League as senior vice president and general manager of Super League Prime.
- Wanda Cinemas Games, a unit of the Wanda Group and one of China's premiere entertainment companies, formed a partnership with Super League to bring live, competitive gaming experiences to Wanda's 700+ theatres across China.
- Super League introduced eight new gaming clubs expanding its international city-based amateur esports league to 24 teams across the United States, Canada and Mexico.

Key Performance Indicators (KPIs) for Full Year 2019

- At year end, all KPI's identified at IPO significantly exceeded targets:
 - Views – 120 million vs. target of two million
 - Available Games – Over 20 game titles vs. target of six
 - Venues – 500+ venues vs. target of 200
 - Registered users – Approximately one million vs. target of 600,000
 - Gameplay hours – 15 million vs. 250,000

Management Commentary

"It has been just over one year since Super League's IPO, yet our progress has exceeded our expectations," said Ann Hand, CEO of Super League. "I truly believe the transparency and positive sense of urgency that comes from being a public company created an added layer of focus, and the results are evident in our rapidly growing audience, player base, global venue partner footprint and game title portfolio. Our platform connects the deeply engaged, passionate audience of competitive gamers to each other and to their hometown

venues to not just compete, but share their content around the love of the game establishing Super League as a software and media backbone for bringing amateur, local esports to scale.”

Fourth Quarter 2019 Financial Results

Revenues in the fourth quarter of 2019 decreased to \$262,000 compared to \$407,000 in the comparable prior year quarter. The decrease was primarily driven by fluctuations in the timing of brand partner activations and the recognition of related revenue from quarter to quarter.

Fourth quarter 2019 cost of revenue decreased to \$134,000 compared to \$285,000 in the comparable prior year quarter due to a combination of the decrease in related revenues, as well as operational efficiencies resulting in lower direct costs for Super League’s physical and digital experiences.

Total operating expenses in the fourth quarter of 2019 were \$4.8 million compared to \$5.0 million in the comparable prior year quarter. The change was primarily due to a net decrease in noncash stock compensation expense related to the vesting of certain employee performance-based warrants in the fourth quarter of 2018. Non-cash stock compensation charges for the fourth quarter of 2019 and 2018 totaled \$951,000 and \$1.5 million, respectively. The decrease was partially offset by an increase in technology platform infrastructure costs and public company related insurance and corporate expenses.

On a GAAP-basis, which includes the impact of noncash charges, net loss in the fourth quarter of 2019 was \$4.7 million or \$(0.55) per share, compared to a net loss of \$7.5 million or \$(1.62) per share in the comparable prior year quarter. In addition to the non-cash compensation charges described above, net loss for the fourth quarter of 2018 included noncash interest expense related to convertible debt outstanding at December 31, 2018, totaling \$2.6 million. All principal and interest related to the Company’s convertible notes was automatically converted to equity upon the close of the IPO in the first quarter of 2019.

Proforma net loss for the fourth quarter of 2019, which excludes the impact of noncash charges, was \$3.7 million compared to \$3.2 million in the comparable prior year quarter. As noted above, the change was primarily due to an increase in technology platform infrastructure costs and public company related insurance and corporate expenses.

Full Year 2019 Financial Results

Revenues for the full year 2019 were \$1,084,000 compared to \$1,046,000 for the full year 2018. Content related revenues, including brand sponsorships and customized brand partner programs, traditional advertising and third-party content licensing, comprised approximately 97% of revenues for the full year 2019, as compared to 87% for the full year 2018, and increased 16% year over year. Direct to consumer revenues, primarily comprised of our legacy model of charging ticketing fees for our digital and physical experiences, decreased 76% year over year. This was primarily due to a strategic decision to hold a higher number of free to play events during fiscal year 2019, consistent with its strategic focus on increasing the volume of new gamers and spectators introduced into its customer funnel, to increase the number of registered users on its platform, drive consumer conversion, and increase the overall awareness of the Super League brand and technology platform offerings.

Full year 2019 cost of revenue decreased 25% to \$513,000 compared to \$684,000 for the

full year 2018, compared to the slight increase in revenues for the same periods, due primarily to operational efficiencies resulting in lower direct costs for Super League's physical and digital experiences.

Total operating expenses for the full year 2019 increased to \$21.3 million compared to \$16.5 million for the full year 2018. The fluctuation was primarily due to an increase in equity and other performance-based compensation in connection with the achievement of certain performance-based milestones during fiscal year 2019, a 10% net increase in engineering, sales and other personnel expenses in connection with the acceleration of our growth initiatives during 2019, an increase in technology platform infrastructure costs, and an increase in public company related insurance and other corporate expenses. Non-cash compensation charges for the full year 2019 totaled \$6.2 million as compared to \$3.9 million for the full year 2018.

On a GAAP-basis, net loss for the full year 2019 was \$30.7 million or \$(3.89) per share, compared to a net loss of \$20.6 million or \$(4.48) per share for the full year 2018. In addition to the non-cash compensation charges described above, net loss for the full year 2019 and 2018 included noncash interest expense related to convertible debt totaling \$9.9 million and \$4.5 million, respectively. All principal and interest related to the Company's convertible notes was automatically converted to equity upon the close of the IPO in the first quarter of 2019.

Proforma net loss for the full year 2019 was \$14.5 million compared to \$11.5 million for the full year 2018. As noted above, the change was primarily due to an increase in equity and other performance-based compensation in connection with the achievement of certain performance-based milestones during 2019, a net increase in engineering, sales and other personnel expenses in connection with the acceleration of our growth initiatives, an increase in technology platform infrastructure costs, and an increase in public company related insurance and other corporate expenses.

At December 31, 2019, the Company's cash position totaled \$8.4 million with no debt outstanding, compared to \$2.8 million at December 31, 2018.

Conference Call

The Company will hold a conference call today at 5:00 p.m. Eastern time to discuss its fourth quarter and full year 2019 results and provide a business update.

Date: Thursday, March 12, 2020

Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)

Toll-free dial-in number: (866) 987-6716

International dial-in number: (630) 652-5945

Conference ID: 3692559

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcast live and available for replay [here](#) and via the investor relations section of the Company's website at www.SuperLeague.com.

A replay of the conference call will be available after 8:00 p.m. Eastern time on the same day through March 19, 2020.

Toll-free replay number: (855) 859-2056.

International replay number: (404) 537-3406

Replay ID: 3692559

About Super League Gaming

[Super League Gaming, Inc.](#) (Nasdaq: SLGG) is a leading esports community and content platform for competitive, everyday gamers, fans and friends of all ages and skill levels. With a focus on positive and inclusive gameplay, Super League enables players to experience their sport like the pros while also developing sportsmanship, communication and team-building skills. Powered by a proprietary technology platform, Super League operates physical and digital experiences in partnership with publishers of top-tier games. Local movie theatres, PC cafes, restaurant and entertainment venues are transformed into esports arenas where gamers compete, socialize, spectate and celebrate the amateur esports lifestyle. Super League's platform offers unique amateur esports experiences that not only ratchet up the competition for avid gamers, but also attract audiences with elite amateur broadcasts that transform physical venues as well as fuel SuperLeagueTV's Twitch and YouTube channels.

Forward-Looking Statements

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995.

Statements in this press release that are not strictly historical are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve substantial risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied by such statements. Forward-looking statements in this communication include, among other things, statements about our possible or assumed business strategies, potential growth opportunities, new products and potential market opportunities. Risks and uncertainties include, among other things, our ability to implement our plans, forecasts and other expectations with respect to our business; our ability to realize the anticipated benefits of events that took place during the quarter ended December 31, 2019, including the possibility that the expected benefits will not be realized or will not be realized within the expected time period; unknown liabilities that may or may not be within our control; attracting new customers and maintaining and expanding our existing customer base; our ability to scale and update our platform to respond to customers' needs and rapid technological change; increased competition on our market and our ability to compete effectively, and expansion of our operations and increased adoption of our platform internationally. Additional risks and uncertainties that could affect our financial results are included in the section titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our prospectus dated February 25, 2019, our Annual Report on Form 10-K for the year ended December 31, 2019 and other filings that we make from time to time with the Securities and Exchange Commission which, once filed, are available on the SEC's website at www.sec.gov. In addition, any forward-looking statements contained in this communication are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements.

Information About Non-GAAP Financial Measures

As used herein, “GAAP” refers to accounting principles generally accepted in the United States of America. To supplement our financial statements included in our Annual Report on Form 10-K for the period ended December 31, 2019, which financial statements were prepared and presented in accordance with GAAP, this earnings release includes proforma net loss, a financial measure that is considered a non-GAAP financial measure as defined in Rule 101 of Regulation G promulgated by the Securities and Exchange Commission. Generally, a non-GAAP financial measure is a numerical measure of a company’s historical or future performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

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

Proforma Net Loss and EPS. We define Proforma Net Loss as net loss calculated in accordance with GAAP, but excluding non-cash stock compensation charges, non-cash interest charges on convertible debt (including accrued periodic interest, periodic or accelerated amortization of debt discount charges and charges related to convertible debt related beneficial conversion features), and non-cash prepaid in-kind advertising charges. Proforma EPS is defined as Proforma net income divided by the weighted average outstanding shares, on a fully diluted basis, calculated in accordance with GAAP, for the respective reporting period.

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

Non-cash interest charges related to convertible debt outstanding, if any, including accrued periodic interest, periodic or accelerated amortization of debt discount charges and charges related to convertible debt related beneficial conversion features, primarily reflects the

attribution of value to common stock purchase warrants and the beneficial conversion feature embedded in the convertible debt instruments, and the expensing of these amounts on a straight-line basis over the term of the convertible debt as additional interest cost related to the debt. These non-cash amounts are reflected in other expense and are not expenses associated with our core business operations. Management believes that providing a non-GAAP financial measure that excludes non-cash interest charges allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies period to period, as well as providing our management with a critical tool for financial and operational decision making and for evaluating our own period-to-period recurring core business operating results.

There are several limitations related to the use of proforma net loss and EPS versus net loss EPS calculated in accordance with GAAP. For example, non-GAAP net loss excludes the impact of significant non-cash stock compensation and debt related interest charges that are or may be recurring, and that may or will continue to be recurring for the foreseeable future. In addition, non-cash stock compensation is a critical component of our employee compensation and retention programs and the cost associated with common stock purchase warrants and beneficial conversion features embedded in convertible debt outstanding is a critical component of the cost of debt financings. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net loss and evaluating non-GAAP net loss in conjunction with net loss and EPS calculated in accordance with GAAP.

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

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**SUPER LEAGUE GAMING, INC.
CONDENSED BALANCE SHEETS
(Unaudited)**

	Balance At December 31, 2019	Balance At December 31, 2018
Assets		

Cash	\$	8,442,000	\$	2,774,000
Accounts receivable		293,000		488,000
Prepaid expenses and other current assets		924,000		487,000
Total current assets		9,659,000		3,749,000
Property and Equipment, net		239,000		531,000
Intangible and Other Assets, net		1,984,000		707,000
Goodwill		2,565,000		-
Total assets	\$	14,447,000	\$	4,987,000
Liabilities				
Accounts payable and accrued expenses	\$	853,000	\$	813,000
Deferred Revenue		151,000		45,000
Convertible Debt, net		-		10,923,000
Total liabilities		1,004,000		11,781,000
Stockholders' Equity				
Common Stock		18,000		14,000
Additional paid-in capital		99,237,000		48,325,000
Accumulated deficit		(85,812,000)		(55,133,000)
Total stockholders' equity (deficit)		13,443,000		(6,794,000)
Total liabilities and stockholders' equity	\$	14,447,000	\$	4,987,000

SUPER LEAGUE GAMING, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Fiscal Year Ended December 31,	
	2019	2018	2019	2018
REVENUE	\$ 262,000	\$ 407,000	\$ 1,084,000	\$ 1,046,000
COST OF REVENUE	(134,000)	(285,000)	(513,000)	(684,000)
GROSS PROFIT	128,000	122,000	571,000	362,000
OPERATING EXPENSES				
Selling, marketing and advertising	1,255,000	1,370,000	4,488,000	4,319,000
Technology and platform development	1,098,000	1,080,000	4,520,000	4,183,000
General and administrative	2,479,000	2,535,000	12,333,000	8,020,000
Total operating expenses	4,832,000	4,985,000	21,341,000	16,522,000
NET OPERATING LOSS	(4,704,000)	(4,863,000)	(20,770,000)	(16,160,000)
OTHER INCOME (EXPENSE)				
Interest expense	-	(2,621,000)	(9,938,000)	(4,469,000)
Other	16,000	-	29,000	2,000

OTHER INCOME (EXPENSE)	<u>16,000</u>	<u>(2,621,000)</u>	<u>(9,909,000)</u>	<u>(4,467,000)</u>
NET LOSS	<u>\$ (4,688,000)</u>	<u>\$ (7,484,000)</u>	<u>\$ (30,679,000)</u>	<u>\$ (20,627,000)</u>
Net loss attributable to common stockholders - basic and diluted				
Basic and diluted loss per common share	<u>\$ (0.55)</u>	<u>\$ (1.62)</u>	<u>\$ (3.89)</u>	<u>\$ (4.48)</u>
Weighted-average number of shares outstanding, basic and diluted	<u>8,570,185</u>	<u>4,610,111</u>	<u>7,894,326</u>	<u>4,606,961</u>

SUPER LEAGUE GAMING, INC.
Reconciliation of GAAP to Non-GAAP Financial Information
(Unaudited)

	Three Months Ended December 31,		Fiscal Year December 31,	
	2019	2018	2019	2018
GAAP net loss	\$ (4,688,000)	\$ (7,484,000)	\$ (30,679,000)	\$ (20,627,000)
Add back:				
Non-cash stock compensation	951,000	1,491,000	6,217,000	3,943,000
Non-cash debt related interest charges	-	2,621,000	9,938,000	4,469,000
Non-cash In-kind advertising	-	186,000		667,000
Proforma net loss	<u>\$ (3,737,000)</u>	<u>\$ (3,186,000)</u>	<u>\$ (14,524,000)</u>	<u>\$ (11,548,000)</u>
Pro forma non-GAAP net earnings (loss) per common share — diluted	<u>\$ (0.44)</u>	<u>\$ (0.69)</u>	<u>\$ (1.84)</u>	<u>\$ (2.51)</u>
Non-GAAP weighted-average shares — diluted	<u>8,570,185</u>	<u>4,610,111</u>	<u>7,894,326</u>	<u>4,606,961</u>

SUPER LEAGUE GAMING, INC.
CONDENSED STATEMENT OF CASH FLOWS
(Unaudited)

	Fiscal Year Ended December 31,	
	2019	2018
Operating Activities		
Net loss	\$ (30,679,000)	\$ (20,627,000)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	862,000	1,106,000

Stock-based compensation	6,217,000	3,942,000
Amortization of discount on convertible notes	2,684,000	3,863,000
Beneficial conversion feature	7,067,000	-
In-kind contribution of services	-	667,000
Changes in assets and liabilities		
Accounts Receivable	199,000	(374,000)
Prepaid Expenses and Other Assets	(329,000)	(340,000)
Accounts payable and accrued expenses	40,000	432,000
Deferred Revenue	106,000	45,000
Accrued interest on convertible notes	187,000	606,000
Net Cash Provided by Operating Activities	(13,646,000)	(10,680,000)
Investing Activities		
Cash paid for acquisition of Framerate	(1,506,000)	-
Purchase of property and equipment	(73,000)	(255,000)
Capitalization of software development costs	(1,079,000)	(519,000)
Acquisition of other intangibles	(506,000)	(92,000)
Net Cash Provided by Investing Activities	(3,164,000)	(866,000)
Financing Activities		
Proceeds from issuance of common Stock, net	22,458,000	-
Proceeds from convertible notes, net	-	12,611,000
Proceeds from warrant exercise	20,000	-
Net Cash Provided by Financing Activities	22,478,000	12,611,000
Net Cash Increase for the Period	5,668,000	1,065,000
Cash at Beginning of the Period	2,774,000	1,709,000
Cash at End of the Period	\$ 8,442,000	\$ 2,774,000



Source: Super League Gaming