

May 24, 2021



Allied Esports Entertainment Announces First Quarter 2021 Financial Results

IRVINE, Calif.--(BUSINESS WIRE)-- **Allied Esports Entertainment, Inc. (NASDAQ: AESE)** (the “Company” or “AESE”), a global esports entertainment company, today announced financial results for the first quarter ended March 31, 2021, as well as an update on several key business initiatives. This release refers to “continuing” and “discontinued” operations due to the pending sale of the Company’s subsidiaries owning and operating its poker-related business, the World Poker Tour® (“World Poker Tour,” or “WPT®”), which is expected to close in the second or third quarter of 2021. Therefore, unless otherwise noted, results presented in this release relate to the continuing operations of the Company and Allied Esports, and excludes the World Poker Tour, which is classified as discontinued operations.

Commenting on the first quarter 2021 results, the Company’s CEO, Frank Ng, said, “Overall, I am pleased with the first quarter performance of our Esports business despite the headwinds and operational constraints we continue to face within the In-person pillar of our business as we slowly emerge from the COVID-19 pandemic. While In-person events were the primary growth drivers of our Esports revenue prior to the pandemic, I have been impressed with our team’s ability to pivot towards remote content creation and online events and adapt to the challenges posed by the pandemic. In doing so, we have made good progress over the last several quarters building out capabilities for the Multiplatform Content pillar of our Esports business, which has culminated in announcements this month of a new nine-month esports tournament program with Tencent’s streaming platform, as well as our first distribution partnership with MuxIP, which will result in the airing of hundreds of hours of our content library on OTT platforms. In addition, we further reduced our debt burden by paying off our convertible debt balance and in turn, significantly enhanced our capital structure while improving our financial flexibility and liquidity position. Looking forward, we believe that the strategic pivot we made accelerates our ability to further monetize aspects of the Esports ecosystem and take advantage of significant growth opportunities as the economy continues to improve and the environment normalizes.”

First Quarter 2021 Financial Results

Revenues: Total revenues of \$0.5 million decreased 53% in the first quarter of 2021 compared to the first quarter of 2020. This was due to decreased In-person revenue as a result of the pandemic.

Costs and expenses: Total costs and expenses for the first quarter of 2021 were \$5.4 million, a decrease of 43% compared to the first quarter of 2020. Costs and expenses decreased primarily due to lower expenses in the In-person pillar, and lower general and administrative, selling and marketing and stock-based compensation expenses.

Loss from continuing operations for the quarter was \$5.0 million, compared to a loss of \$9.1

million in the prior year period. The improvement was driven by lower costs and expenses for the current quarter.

Adjusted EBITDA loss was \$3.3 million for the 2021 first quarter, as compared to \$3.5 million in the first quarter of 2020. A reconciliation of the GAAP-basis net loss to adjusted EBITDA is provided in the table at the end of this press release.

Balance Sheet

As of March 31, 2021, the Company had a cash position of \$18.5 million, including \$5.0 million of restricted cash and \$2.9 million of cash in connection with the WPT business that is included in current assets of discontinued operations, but is available to fund the Allied Esports business until the close of the WPT sale transaction. The Company had a cash position of \$9.4 million at March 31, 2020, which included \$5.0 million of restricted cash and \$3.5 million held at WPT. The total gross principal amount of bridge and convertible debt as of March 31, 2021 was \$3.4 million, as compared to \$4.0 million as of December 31, 2020. As of March 31, 2021, the Company's common shares outstanding totaled approximately 39.2 million shares.

Operational Update

Allied Esports

During the first quarter, the Company announced the renewal of its naming rights partnership with HyperX for the global flagship property at the Luxor Hotel and Casino in Las Vegas. As part of the renewal agreement, HyperX will continue to receive prominent branding and signage inside and outside of the venue, as well as across all arena promotions, content and social media platforms. HyperX and Allied Esports will continue to partner on a variety of co-branded experiences and events at the arena focused on growing their respective gaming and esports communities.

In the first quarter of 2021, Allied Esports produced 36 events, including 33 proprietary events and three third-party productions, across its North American and European business units.

During the current quarter, Allied Esports continued to see strong demand in both its in-arena and online proprietary offerings. Over 1,700 players competed in Allied Esports tournaments during the quarter, with events taking place online, in-arena and on the Allied Esports Truck.

Allied Esports continued to leverage its infrastructure for production services for several clients, including FacelT, who has leveraged the HyperX Esports Arena as a COVID-19-safe bubble environment for participating teams in consecutive seasons of the Rainbow Six Siege North American League.

The Company also hosted its 2021 debut event on its Allied Esports Truck in the first quarter. The three-day event took place at Brookfield Properties' First Colony Mall in Sugarland, Texas and served as an attraction for mall-goers and esports enthusiasts alike.

Allied Esports continued to gain traction with its 24-hour content strategy, which generated approximately 4.7 million live views on live streaming platforms in the first quarter, an

increase of 59% compared to the fourth quarter of 2020, as well as a 21% sequential increase in followers across its Twitch and YouTube channels. At the end of the current quarter, Allied Esports ranked in the top 0.03% of all Twitch channels according to TwitchTracker.com, which ranks channels based on average viewers, followers, views and stream time during the most recent 30-day period.

Subsequent to the end of the first quarter 2021, Allied Esports announced that the Company has been selected by Trovo, an interactive live streaming platform, to create and produce a new community esports tournament series for gamers in North America, Latin America and Europe that will run throughout 2021. The Trovo Titans program, featuring over 100 events and 280 days of competition through weekly matches and monthly tournaments, will distribute \$250,000 in prize pools for participants, plus additional incentives and rewards for viewers.

Corporate Developments

On March 22, 2021, the Company announced an amended definitive agreement to sell its subsidiaries operating the World Poker Tour, to Element Partners, LLC, subject to closing conditions, with a total transaction value of approximately \$90.5 million.

In response to an unsolicited proposal from Bally's Corporation to acquire the World Poker Tour for \$105 million, and as announced on March 29, 2021, Element and the Company further amended their definitive agreement to increase the purchase price to \$105 million, which the Company has accepted, and the parties amended their existing purchase agreement to reflect the updated terms. A preliminary proxy statement detailing the transaction and seeking the approval of the transaction by the Company's stockholders was filed with the SEC on May 14, 2021. Subject to customary closing conditions, the Company anticipates closing the transaction in late second quarter or early third quarter of 2021.

First Quarter 2021 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 first quarter 2021 financial results. Participants may join the conference call by dialing 1-855-327-6837 (United States) or 1-631-891-4304 (International).

A live webcast of the conference call will also be available on the Company's Investor Relations site at <http://ir.alliedesportsent.com>. Additionally, financial information presented on the call will be available on Allied Esports' 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. ET on Monday, June 7, 2021, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and entering the replay pin number: 10014718.

About Allied Esports Entertainment

Allied Esports Entertainment (NASDAQ: AESE) is a global esports entertainment venture dedicated to providing transformative live experiences, multiplatform content and interactive services to audiences worldwide through its strategic fusion of two powerful entertainment brands: Allied Esports and the World Poker Tour (WPT). On January 19, 2021, AESE entered into a Stock Purchase Agreement (the "Original Agreement") to sell the equity

interests that own WPT to Element Partners, LLC once all applicable shareholder and regulatory consents have been obtained, and the other conditions to closing have been satisfied. The Original Agreement was amended and restated on March 22, 2021, and further amended on March 30, 2021 (the “Amended Agreement”). The foregoing transaction is referred to as the “Sale Transaction.”

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, including extinguishment losses, stock-based compensation, inducement expense 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, the measures facilitate comparison of 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, and measuring compliance with the requirements of the Company’s debt financing agreements, as well as in planning and forecasting.

The Company’s non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles, and our non-GAAP definitions of the “EBITDA” and “adjusted EBITDA” do not have a standardized meaning. Therefore, other companies may use the same or similarly named measures, but include or exclude different items, which may not provide investors a comparable view of the Company’s performance in relation to other companies.

Management compensates for the limitations resulting from the exclusion of these items by considering the impact of the items separately and by considering the Company’s GAAP, as well as non-GAAP, results and outlook, and by presenting the most comparable GAAP measures directly ahead of non-GAAP measures, and by providing a reconciliation that indicates and describes the adjustments made.

Forward Looking Statements

This communication contains certain forward-looking statements under federal securities laws. Forward-looking statements may include our statements regarding our goals, beliefs, strategies, objectives, plans, including product and service developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of such terms, or other comparable terminology. For example, when we discuss the impacts of the Sale Transaction, the satisfaction of the closing conditions to the Sale Transaction, the timing of the completion of the Sale Transaction; and our plans following the Sale Transaction, we are using forward-looking statements. 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 factors include, but are not limited to, the occurrence of any event, change or other circumstances that could give rise to the termination of the Amended Agreement or could otherwise cause the Sale Transaction to fail to close; the outcome of any legal proceedings that may be instituted against us following the announcement of the Sale Transaction; the inability to complete the Sale Transaction, including due to failure to obtain approval of our stockholders or other conditions to closing; the receipt of an unsolicited offer from another party for an alternative business transaction that could interfere with the Sale Transaction; a change in our plans to retain the net cash proceeds from the Sale Transaction; our inability to enter into one or more future acquisition or strategic transactions using the net proceeds from the Sale Transaction; and a decision not to pursue strategic options for the esports business. Most of these factors are difficult to predict accurately and are generally beyond our control. 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 is described under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on April 13, 2021. Readers are also urged to carefully review and consider the various disclosures we made in such amended Annual Report on Form 10-K and the preliminary Proxy Statement with respect to the proposed Sale Transaction that we have filed with the SEC, and the Proxy Statement that we will mail to our stockholders.

Important Additional Information and Where You Can Find It

AESE has filed with the SEC a preliminary Proxy Statement in connection with the transactions contemplated by the Amended Agreement, and will file and mail to its stockholders a definitive Proxy Statement with regards to the Amended Agreement and Sale Transaction. The Proxy Statement contains important information about AESE, Club Services, Inc., the Sale Transaction and the Amended Agreement. Investors and stockholders are urged to read the Proxy Statement and the supplemental materials carefully before making any decision to invest or approve of the Sale Transaction. Investors and stockholders will be able to obtain free copies of the Proxy Statement, supplemental

materials and other documents filed by AESE with the SEC through the website maintained by the SEC at www.sec.gov or may contact AESE's solicitor, Regan & Associates, Inc., by telephone (toll-free within North America) at 1-800-737-3426.

Participants in the Solicitation

In addition to Regan & Associates, Inc., AESE, its directors and executive officers may be deemed to be participants in the solicitation of consents with respect to the Sale Transaction. Information regarding AESE's directors and executive officers and their ownership of AESE shares is contained in AESE's Annual Report on Form 10-K for the year ended December 31, 2020 and its Proxy Statement for the Sale Transaction which was filed with the SEC on May 14, 2021, and is supplemented by other public filings made, and to be made, with the SEC. AESE's directors and executive officers beneficially own approximately 42.3% of AESE's common stock. Investors and stockholders may obtain additional information regarding the direct and indirect interests of AESE and its directors and executive officers with respect to the Sale Transaction by reading the Proxy Statement and other filings referred to above.

Allied Esports Entertainment, Inc. and Subsidiaries Condensed Consolidated Balance Sheets

	March 31,	December 31,
	2021	2020
	(unaudited)	
Assets		
Current Assets		
Cash	\$ 10,543,015	\$ 424,223
Restricted cash	5,000,000	5,000,000
Accounts receivable	62,297	271,142
Prepaid expenses and other current assets	618,876	909,766
Current assets held for sale	47,286,263	45,363,817
Total Current Assets	63,510,451	51,968,948
Property and equipment, net	8,386,189	9,275,729
Intangible assets, net	29,820	30,818
Deposits	625,000	625,000
Total Assets	\$ 72,551,460	\$ 61,900,495
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,090,025	\$ 901,353
Deposit for sale of WPT	10,000,000	-
Accrued expenses and other current liabilities	2,254,191	1,987,017
Accrued interest, current portion	256,249	152,899
Due to affiliates	11,968,377	9,433,975
Deferred revenue	98,903	57,018
Bridge note payable	1,421,096	1,421,096

Convertible debt, net of discount, current portion	1,000,000	1,000,000
Convertible debt, related party, net of discount, current portion	1,000,000	1,000,000
Loans payable, current portion	814,960	539,055
Current liabilities held for sale	9,248,465	9,169,247
Total Current Liabilities	39,152,266	25,661,660
Deferred rent	1,827,909	1,693,066
Accrued interest, non-current portion	-	193,939
Convertible debt, net of discount, non-current portion	-	578,172
Loans payable, non-current portion	92,169	368,074
Total Liabilities	41,072,344	28,494,911
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, 39,162,811 and 38,506,844 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	3,917	3,851
Additional paid in capital	196,872,987	195,488,181
Accumulated deficit	(165,614,090)	(162,277,414)
Accumulated other comprehensive income	216,302	190,966
Total Stockholders' Equity	31,479,116	33,405,584
Total Liabilities and Stockholders' Equity	\$ 72,551,460	\$ 61,900,495

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

	For the Three Months Ended	
	March 31,	
	2021	2020
Revenues:		
In-person	\$ 501,028	\$ 1,057,741
Total Revenues	501,028	1,057,741
Costs and Expenses:		
In-person (exclusive of depreciation and amortization)	537,867	987,443
Online operating expenses	40,319	61,707
Selling and marketing expenses	43,934	75,727
General and administrative expenses	3,229,555	3,453,097
Stock-based compensation	643,148	3,946,786

Depreciation and amortization	881,959	899,097
Total Costs and Expenses	<u>5,376,782</u>	<u>9,423,857</u>
Loss From Operations	<u>(4,875,754)</u>	<u>(8,366,116)</u>
Other Income (Expense):		
Other income (expense), net	55,142	(2,202)
Interest expense	(153,106)	(682,940)
Total Other Expense	<u>(97,964)</u>	<u>(685,142)</u>
Loss from continuing operations	<u>(4,973,718)</u>	<u>(9,051,258)</u>
Income from discontinued operations, net of tax provision	1,637,042	274,789
Net loss	<u>\$ (3,336,676)</u>	<u>\$ (8,776,469)</u>

Basic and Diluted Net (Loss) Income per Common Share

Continuing operations	\$ (0.13)	\$ (0.38)
Discontinued operations, net of tax	<u>\$ 0.04</u>	<u>\$ 0.01</u>

Weighted Average Number of Common Shares Outstanding:

Basic and Diluted	<u>38,522,107</u>	<u>23,818,144</u>
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Comprehensive Loss

Net Loss	(3,336,676)	(8,776,469)
Other comprehensive income:		
Foreign currency translation adjustments	25,336	-
Total Comprehensive Loss	<u>\$ (3,311,340)</u>	<u>\$ (8,776,469)</u>

**World Poker Tour
Assets and Liabilities of Discontinued
Operations
(Unaudited)**

<u>Assets</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Cash	\$ 2,917,217	\$ 3,633,292
Accounts receivable	2,009,129	1,804,627
Prepaid expenses and other assets	255,843	289,968
Property and equipment, net	1,554,769	1,674,355
Goodwill	4,083,621	4,083,621
Intangible assets, net	11,690,264	12,305,887
Deposits	79,500	79,500

Deferred production costs	12,727,543	12,058,592
Due from affiliates	11,968,377	9,433,975
Current assets held for sale	<u>\$47,286,263</u>	<u>\$45,363,817</u>

Liabilities

Accounts payable	\$ 504,801	\$ 211,228
Accrued expenses and other liabilities	3,858,076	3,804,301
Accrued interest	-	4,224
Deferred revenue	2,278,172	1,970,668
Deferred rent	2,607,416	2,493,526
Loans payable	-	685,300
Current liabilities held for sale	<u>\$ 9,248,465</u>	<u>\$ 9,169,247</u>

World Poker Tour Results of Discontinued Operations (Unaudited)

For the Three Months Ended March 31,

	<u>2021</u>	<u>2020</u>
Revenues	\$ 5,334,010	\$ 4,987,312
Operating costs and expenses	4,386,493	4,715,266
Income from operations	947,517	272,046
Other income	689,525	2,743
Net income from discontinued operations, before tax	1,637,042	274,789
Income tax	-	-
Income (loss) from discontinued operations, net of tax provision	<u>\$ 1,637,042</u>	<u>\$ 274,789</u>

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA (Unaudited)

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 loss from continuing operations before interest, income taxes, depreciation and amortization of intangibles. AESE defines “Adjusted EBITDA” as EBITDA excluding certain non-cash charges, including extinguishment losses, stock-based compensation, inducement expense and impairment losses.

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

	Three Months Ended	
	March 31,	
	2021	2020
Continuing operations		
Net loss from continuing operations	\$(4,973,718)	\$(9,051,258)
Interest expense, net	153,106	682,940
Federal, state, and foreign taxes	-	43
Depreciation and amortization	881,959	899,097
EBITDA	(3,938,653)	(7,469,178)
Stock compensation	643,148	3,946,786
Adjusted EBITDA	\$(3,295,505)	\$(3,522,392)

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