

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 11, 2022

Super League Gaming, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

001-38819
(Commission File Number)

47-1990734
(IRS Employer
Identification Number)

2912 Colorado Avenue, Suite #203
Santa Monica, California 90404
(Address of principal executive offices)

(213) 421-1920
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	SLGG	Nasdaq Capital Market

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 11, 2022, Super League Gaming, Inc. (the “Company”) released its financial results for the fiscal quarter ended June 30, 2022, and posted on its website a letter to shareholders of the Company (the “Letter to Shareholders”) from the Company’s Chief Executive Officer, Ann Hand. The Letter to Shareholders discussed, among other matters, corporate highlights, financial results for the fiscal quarter ended June 30, 2022, and the corporate outlook. Copies of the press release, the financial results and the Letter to Shareholders are attached hereto as Exhibit 99.1, 99.2 and 99.3, respectively.

The Company also made available on its YouTube Channel a video from Ms. Hand and Clayton Haynes, the Company’s Chief Financial Officer, highlighting the Company’s financial results and providing a trip through the Company’s metaverse. A transcript of the video is attached hereto as Exhibit 99.4. Copies of the Letter to Shareholders, financial results and transcript are also available on the Company’s website located at <https://ir.superleague.com>.

Item 7.01 Regulation FD Disclosure.

See Item 2.02.

Disclaimer.

The information in this Current Report on Form 8-K is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall the exhibits filed herewith be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits**(d) Exhibits Index**

Exhibit No.	Description
<u>99.1</u>	Press Release issued by Super League Gaming, Inc., dated August 11, 2022.
<u>99.2</u>	Corporate Graphic
<u>99.3</u>	Letter to Shareholders, dated August 11, 2022
<u>99.4</u>	Video Transcript, dated August 11, 2022
104	Cover Page Interactive Data Filed (embedded within the Inline XBRL document)

Disclaimer.

This Current Report on Form 8-K may contain, among other things, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements with respect to the Company’s plans, objectives, expectations and intentions; and (ii) other statements identified by words such as “may”, “could”, “would”, “should”, “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans” or similar expressions. These statements are based upon the current beliefs and expectations of the Company’s management and are subject to significant risks and uncertainties.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Super League Gaming, Inc.

Date: August 11, 2022

By: /s/ Clayton Haynes
Clayton Haynes
Chief Financial Officer



Super League Gaming Releases Second Quarter 2022 Financial Results

Santa Monica, Calif. - (August 11, 2022)– **Super League Gaming (Nasdaq: SLGG)**, a global leader in metaverse gaming and the young gamer creator economy, has released its second quarter 2022 financial results by posting them to its website. Please visit the Super League Gaming investor relations website at <https://ir.superleague.com/> to view the second quarter 2022 financial results and letter to shareholders.

Additionally, a trip to the Metaverse with Ann Hand, CEO and Clayton Haynes, CFO is available via video on demand on the Company's investor relations website. This event can also be viewed on Super League Gaming's YouTube Channel here.

About Super League Gaming

Super League Gaming (Nasdaq: SLGG) is a leading publisher of games, monetization tools and content channels across metaverse gaming platforms that empower developers, energize players, and entertain fans. The company's solutions provide incomparable access to an audience consisting of players in the largest global metaverse environments, fans of hundreds of thousands of gaming influencers, and viewers of gameplay content across major social media and digital video platforms. Fueled by proprietary and patented technology systems, the company's platform includes access to vibrant in-game communities, a leading metaverse advertising platform, a network of highly viewed channels and original shows on Instagram, TikTok, Snap, YouTube, and Twitch, cloud-based livestream production tools, and an award-winning esports invitational tournament series. Super League's properties deliver powerful opportunities for brands and advertisers to achieve impactful insights and marketing outcomes with gamers of all ages. For more, go to superleague.com.

Investor Relations Contact:

Shannon Devine
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Media Contact

Gillian Sheldon
gillian.sheldon@superleague.com

FINANCIAL HIGHLIGHTS

↑ 300% YOY
REVENUE \$4.3MM

↑ 625% YOY
AD & SPONSOR
REVENUES \$3.25MM
(82% OF REV)

↑ 102% YOY
DIRECT TO CONSUMER
REVENUES \$0.5MM
(11% OF REV)

OUTLOOK – FISCAL 2022

\$20-22MM
REVENUE (STRONG
YOY GROWTH)

45% -50%
GROSS MARGIN
(TARGET RANGE)



FISCAL Q2 | 2022

THREE MONTHS ENDED JUNE 30 | SIX MONTHS ENDED JUNE 30

FINANCIAL OVERVIEW	2022	2021	2022	2021
REVENUE	\$4,279,000	\$1,084,000	\$8,047,000	\$1,872,000
COST OF REVENUE	(2,458,000)	(533,000)	(4,367,000)	(875,000)
CROSS PROFIT	\$1,821,000	\$551,000	\$3,680,000	\$997,000

~1.0BN

MONTHLY IMPRESSIONS in Q2 reaching over 70MM monthly players through the company's metaverse gaming network.



As part of the multi-pronged deal, Anime Battlegrounds X (ABX), one of the highest rated games on Roblox with a 97% rating, is now a Super League title.



ENDLESS PLAY PROGRAM LAUNCH

New initiative highlights millions of gameplay experiences created by the Minecraft community, all accessible within one of the largest centralized platforms for Minecraft players in the world.

Super League is a leading publisher of games, monetization tools and content channels across metaverse gaming platforms that empower developers, energize players, and entertain fans.

Letter to Shareholders

FISCAL Q2 | 2022

SUPER LEAGUE

The *Rocketship* to
the metaverse.

NASDAQ: SLGG

August 11, 2022

Fellow Shareholders,

Another quarter in the books, and I am excited to report our growth trajectory continued into the second quarter of 2022, highlighted by reaching over 70 million unique monthly players through our metaverse gaming network. I am so incredibly proud of the team's work. For those of you who have not had the chance to join me, check out my trip to the metaverse [here](#). This is great example of our extraordinarily talented team, and as I have spoken to previously, our assets and technology.

Our challenge and opportunity is to capture the massive shift in the digital advertising market toward in-game advertising. We continued to strengthen our leadership position in video game experiences and entertainment by winning a larger share of advertisers' wallets, further monetizing our sought-after premium advertising inventory, and adding new partners to expand our global network sales fleet. Our second quarter summary results are below.



Q2 Results

Our focus on topline revenue growth resulted in second quarter 2022 revenues of \$4.3 million, up nearly 300% compared to \$1.1 million in the second quarter of 2021, driven by strong percentage increases in our advertising and sponsorship and direct to consumer revenue streams.

Advertising and sponsorships revenue increased 625% to \$3.5 million and comprised 82% of total revenues. This increase was primarily due to a 36% increase in our direct sales advertising revenue-generating customers driven by our growing premium in-game and in-stream advertising inventory, and an approximately 560% increase in the average revenue per customer.

Direct-to-consumer revenues, which consists of sales of digital goods and subscriptions across our owned and operated Minehut digital property and our Mineville and Pixel Paradise, official Microsoft Minecraft servers, increased 102% to \$473,000 and accounted for approximately 11% of revenues for the second quarter of 2022 compared to 22% of revenues in the year ago comparable quarter.

Second quarter 2022 cost of revenues were \$2.5 million compared to \$533,000 in the comparable prior year quarter. The increase was primarily due to the significant increase in related revenues in the second quarter of 2022 compared to the prior year quarter. As a percent of revenue, gross profit in the second quarter of 2022 was 43% compared to 51% in the prior year quarter. The decrease was due to the impact of a full quarter of Mobcrush related influencer marketing revenues in the second quarter of 2022, which on average have higher direct cost profiles, as compared to one-month of these revenues reflected in the second quarter of 2021. While the 43% is relatively high, we continue to target a range of 45-50% in future periods reflective of the Company's premium advertising model.



Total operating expenses in the second quarter of 2022 were \$10.6 million compared to \$6.9 million in the comparable prior year quarter. The increase was primarily due to an increase in personnel costs associated with our FY 2021 M&A activities, and noncash amortization of intangible assets acquired in connection with these FY 2021 acquisitions. Also contributing, albeit to a lesser extent, were higher cloud services and other technology platform costs, reflecting the expansion of activities in connection with our fiscal year 2021 acquisitions and the continuing strong engagement across our digital properties. Non-cash amortization of intangible assets for the second quarter of 2022 totaled \$1.3 million compared to \$0.5 million in the second quarter of 2021. Non-cash stock compensation charges for the second quarter of 2022 totaled \$1.0 million compared to \$0.6 million in the second quarter of 2021.

"We continued to strengthen our leadership position in video game experiences and entertainment."

On a GAAP-basis, which includes the impact of noncash charges and credits, net loss in the second quarter of 2022 was \$8.7 million, or \$(0.24) per share, compared to a net loss of \$2.0 million, or \$(0.07) per share, in the comparable prior year quarter. As previously reported, our first quarter 2021 results included \$4.3 million of noncash gains resulting in a significantly lower EPS. Excluding the impact of these noncash gains, net loss in the second quarter of 2021 was \$6.3 million, or \$(0.23) per share. The weighted average diluted share count for the second quarter of 2022 was 36.9 million, compared to 27.2 million for the second quarter of 2021.

Pro forma net loss for the second quarter of 2022, which excludes the impact of certain noncash charges and credits, was \$6.4 million, or \$(0.17) per share, compared to a pro forma net loss of \$5.2 million, or \$(0.19) per share, in the comparable prior year quarter.

Looking at our balance sheet as of June 30, we reported \$7.1 million in cash, and total shareholders' equity of \$76.2 million. Consistent with our previously disclosed outlook, our average monthly net cash burn rate for 2022 is expected to be in the \$1.7 million range as we continue to focus on top line revenues and control costs in connection with our commitment to reducing costs and improving the bottom line.

As previously disclosed, to strengthen our liquidity, in March of this year, we entered into an equity line of credit facility with an investor, where we have the right but not the obligation to sell up to 7.3 million shares of common stock, subject to the terms of the underlying agreement as previously filed with the SEC. In May 2022 we closed an additional \$4.0 million in financing, and this financing, combined with the equity line of credit and earlier announced financing facilities, we believe provides the company with the ability to deliver against our 2022 growth strategy.

Second Quarter & Subsequent Highlights

Recently we announced a new initiative, the Endless Play program, to celebrate and highlight millions of player-generated Minecraft experiences within Minehut, our thriving Minecraft community. Minehut is one of the largest Minecraft community platforms in the world, boasting nearly eight million user-generated servers and the widest selection of Minecraft gameplay anywhere in the Java ecosystem. Endless Play represents our latest commitment to expand the reach of our owned and operated metaverse gaming portfolio. With metaverse gaming platforms now representing an extraordinary area of growth in the video game industry, we continue to demonstrate our unique ability to support motivated and talented gaming creators, whose creations inspire and entertain avid player communities.

During the quarter we had the opportunity to form an exclusive alliance with IMS, part of Aleph Group, Inc. and global partner of the world's leading digital platforms, in Brazil, Mexico, Argentina, Colombia, Chile, Peru, Uruguay, Ecuador, Paraguay, Central America and Italy. The partnership will allow brands throughout the region to take advantage of unique relationships we have formed with dozens of talented game developers inside the Roblox metaverse, where millions of players create, share and play in immersive worlds every day.



Finally, we introduced DreamWorks Animation's "The Bad Guys" to the gaming metaverse through innovative interactive 3D ads to power exceptional player engagement with five unforgettable characters from the new animated feature film. DreamWorks Animation, a division of the Universal Filmed Entertainment Group within NBCUniversal, is our first partner showcasing our recently launched innovative 3D ad units. The promotional campaign, designed to excite gaming communities around the film's unforgettable characters, leverages Super League's innovative 3D interactive ad units and international advertising network, which reaches 70mm young gamers monthly.

Outlook

Turning to our outlook, we are reiterating our previously stated outlook of \$20 to \$22 million in revenue for fiscal year 2022. We also are beginning to see operating leverage start to kick in through controlling our costs while simultaneously seeing sales force efficiency improving. Ultimately the benefit is to our operating loss which is improving faster than we originally planned.

Summary

With strong revenue expansion and second quarter results, we are focused on executing on our plan and growth expectations in the second half of 2022. Let me remind you, the potential market is massive; there are 3 billion gamers on the planet and well over 20% of them enjoy open-world games or metaverse games. Looking ahead, we will continue to deepen our metaverse game world and content moat to increase audience engagement. We are growing our in-game media and analytics suite with new, innovative ad products and additional developer tools and expanding our global network sales partnerships to capture more value faster on our unique advertising inventory. We continue to believe our tremendous progress will drive a step-change in topline growth with strong margins to clear a path to profitability. We thank all our shareholders for your ongoing support and are working diligently to build on the short and long-term value of our company.

Sincerely,

Ann Hand

Ann Hand
CEO of Super League Gaming

About Super League Gaming

Super League Gaming (Nasdaq: SLGG) is a leading publisher of games, monetization tools and content channels across metaverse gaming platforms that empower developers, energize players, and entertain fans. The company's solutions provide incomparable access to an audience consisting of players in the largest global metaverse environments, fans of hundreds of thousands of gaming influencers, and viewers of gameplay content across major social media and digital video platforms. Fueled by proprietary and patented technology systems, the company's platform includes access to vibrant in-game communities, a leading metaverse advertising platform, a network of highly viewed channels and original shows on Instagram, TikTok, Snap, YouTube, and Twitch, cloud-based livestream production tools, and an award-winning esports invitational tournament series. Super League's properties deliver powerful opportunities for brands and advertisers to achieve impactful insights and marketing outcomes with gamers of all ages. For more, go to superleague.com.



SUPER LEAGUE GAMING, INC CONDENSED BALANCE SHEET (Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 7,069,000	\$ 14,533,000
Accounts receivable	4,643,000	6,328,000
Prepaid expenses and other current assets	1,285,000	1,334,000
Total current assets	12,997,000	22,195,000
Property and Equipment, net	203,000	104,000
Intangible and Other Assets, net	22,664,000	24,243,000
Goodwill	50,263,000	50,263,000
Total assets	\$ 86,127,000	\$ 96,805,000
Liabilities		
Accounts payable and accrued expenses	\$ 5,439,000	\$ 5,514,000
Deferred Revenue	29,000	76,000
Convertible Debt, net	4,019,000	-
Total current liabilities	9,487,000	5,590,000
Deferred tax liability	472,000	518,000
Total Liabilities	9,959,000	6,108,000
Stockholders' Equity		
Common Stock	46,000	46,000
Additional paid-in capital	218,050,000	215,943,000
Accumulated deficit	(141,928,000)	(125,292,000)
Total stockholders' equity	76,168,000	90,697,000
Total liabilities and stockholders' equity	\$ 86,127,000	\$ 96,805,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
REVENUE	\$ 4,279,000	\$ 1,084,000	\$ 8,047,000	\$ 1,872,000
COST OF REVENUE	(2,458,000)	(533,000)	(4,367,000)	(875,000)
GROSS PROFIT	1,821,000	551,000	3,680,000	997,000
OPERATING EXPENSES				
Selling, marketing and advertising	3,001,000	1,934,000	5,735,000	3,417,000
Engineering, Technology and Development	4,570,000	2,497,000	8,780,000	4,100,000
General and administrative	2,993,000	2,433,000	5,869,000	4,419,000
TOTAL OPERATING EXPENSES	10,564,000	6,864,000	20,384,000	11,936,000
NET OPERATING LOSS	(8,743,000)	(6,313,000)	(16,704,000)	(10,939,000)
OTHER INCOME (EXPENSE)				
Interest expense	23,000	1,211,000	21,000	(5,000)
Gain on loan forgiveness	-	-	-	1,213,000
Other	-	3,000	1,000	7,000
OTHER INCOME (EXPENSE)	23,000	1,214,000	22,000	1,215,000
LOSS BEFORE BENEFIT FROM INCOME TAXES	(8,720,000)	(5,099,000)	(16,682,000)	(9,724,000)
BENEFIT FOR INCOME TAXES	-	3,073,000	46,000	3,073,000
NET LOSS	\$ (8,720,000)	\$ (2,026,000)	\$ (16,636,000)	\$ (6,651,000)
Net loss attributable to common stockholders - basic and diluted				
Basic and diluted loss per common share	\$ (0.24)	\$ (0.07)	\$ (0.45)	\$ (0.28)
Weighted-average number of shares outstanding, basic and diluted	\$36,946,587	\$ 27,165,755	\$ 36,893,069	\$ 23,525,528

RECONCILIATION OF GAAP TO
NON-GAAP FINANCIAL
INFORMATION (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
GAAP net loss	\$ (8,720,000)	\$ (2,026,000)	\$ (16,636,000)	\$ (6,651,000)
Add back:				
Non-cash stock compensation	1,001,000	561,000	2,099,000	971,000
Non-cash amortization of intangibles	1,300,000	505,000	2,602,000	747,000
Noncash benefit for income taxes	-	(3,073,000)	(46,000)	(3,073,000)
Gain on loan forgiveness	-	(1,213,000)	-	(1,213,000)
Proforma net loss	\$ (6,419,000)	\$ (5,246,000)	\$ (11,981,000)	\$ (9,219,000)
Pro forma non-GAAP net earnings (loss) per common share — diluted	\$ (0.17)	\$ (0.19)	\$ (0.32)	\$ (0.39)
Non-GAAP weighted-average shares — diluted	36,946,587	27,165,755	36,893,069	23,525,528

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

Six Months Ended
June 30,

2022 2021

Operating Activities		
Net loss	\$ (16,636,000)	\$ (6,651,000)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	2,701,000	801,000
Stock-based compensation	2,099,000	972,000
Gain on loan forgiveness	-	(1,213,000)
Change in valuation allowance	-	(3,073,000)
Changes in assets and liabilities		
Accounts Receivable	1,685,000	134,000
Prepaid Expenses and Other Assets	49,000	79,000
Accounts payable and accrued expenses	(74,000)	(991,000)
Deferred Revenue	(47,000)	12,000
Deferred taxes	(46,000)	-
Accrued interest on notes payable	32,000	5,000
Net Cash Used in Operating Activities	(10,237,000)	(9,925,000)
Investing Activities		
Cash acquired in connection with Mobcrush Acquisition	-	586,000
Purchase of property and equipment	(153,000)	(11,000)
Capitalization of software development costs	(997,000)	(437,000)
Acquisition of other intangibles	(71,000)	(137,000)
Net Cash Used in Investing Activities	(1,221,000)	1,000
Financing Activities		
Proceeds from issuance of common stock, net	8,000	33,399,000
Proceeds from convertible notes, net	3,986,000	-
Proceeds from stock option exercises	-	38,000
Net Cash Provided by Financing Activities	3,994,000	33,437,000
Net (Decrease) Increase in Cash and Cash Equivalents	(7,464,000)	23,513,000
Cash and Cash Equivalents at Beginning of the Period	14,533,000	7,942,000
Cash and Cash Equivalents at End of the Period	\$ 7,069,000	\$ 31,455,000

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 our business; our ability to realize the anticipated benefits of events that took place during and subsequent to the quarter ended December 31, 2021, including the possibility that the expected benefits, particularly from the 2021 Acquisitions, 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 will be included in the section titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021 and other filings that we make from time to time with the Securities and Exchange Commission (the "SEC") 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 and quarterly reports filed with the SEC, which financial statements are prepared and presented in accordance with GAAP, this earnings release includes pro forma 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 pro forma net loss, pro forma 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 amortization of intangible asset charges, and non-recurring, non-cash credits, 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.

Pro Forma Net Loss and EPS. We define pro forma net loss as net loss calculated in accordance with GAAP, but excluding non-cash stock compensation charges, non-cash amortization of intangible assets, and non-recurring, non-cash credits. Pro forma EPS is defined as pro forma 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.

Due to the use of estimates and assumptions pursuant to the guidance set forth in FASB ASC Topic 805 in connection with the valuation of assets acquired and liabilities assumed in connection with business combinations, for merger and acquisition transactions that include the issuance of common stock as all or a component of the purchase consideration, management believes that providing a non-GAAP financial measure that excludes non-cash amortization related to these assets acquired for the applicable reporting period 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 pro forma 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 that are or may 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 consideration issued in connection with mergers and acquisitions is a critical component of the cost of those acquisitions over the useful lives of the related intangible assets acquired. 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 tables 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.

Investor Relations Contact:

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SLCG@mzgroup.us

Media Contact

Gillian Sheldon
gillian.sheldon@superleague.com



Ann Hand (00:11):

Good afternoon, everyone, and welcome aboard as I take you to Super League Gaming's metaverse. We thought we would try something a little different this earning season. And in place of our traditional earnings call, given who we are and what we do, we would show you our world. I'm Ann Hand, the CEO and chair of Super League since 2015. Joining me today is Super League's chief financial officer Clayton Haynes. So, how did I end up here with you? Well, I have a lot of experience creating and building consumer brands, and I love finding an intersection between consumer trends and technology that enable the creation of bold offers that can drive positive social impact and deliver bottom line results.

In this case, what drove me to Super League was the opportunity to debunk the myth of who a gamer is. Because it is pretty much everybody these days. With over 80% of gen Z saying gaming is their favorite activity. The desire to prove that gaming can be positive and safe and inclusive, we stand for good gaming and, let's face it, we also see the billions of dollars of value that will be generated over the next decade by the companies that create an early leadership position. That explains why Super League has doubled down on metaverse games like Minecraft and Roblox, because they're empowering positive platforms where gamers can do more than just compete. They can create and socialize and monetize their passion.

Metaverse games are the next generation's playground. A digital expression of their physical self. One blended life. They want a relationship with the brands they love in both those worlds. We offer a launchpad to make those digital-to-physical connections. The market potential's massive, 3 billion gamers on the planet, and well over 20% of them enjoy these types of open world or metaverse games. The multi-trillion dollar advertising industry's waking up. An estimated \$56 billion of advertising will be deployed inside of games by 2024. Finally, the owners of great IP are realizing that they're leaving hundreds of millions of dollars on the table by not getting in the game, so to speak.

These are the conversations I'm most enjoying right now, because iconic IP belongs in the metaverse. Their friends are craving it. When that powerful IP is brought into our worlds, like SpongeBob or Barbie, or we build dedicated worlds for their IP, there are material new sources of revenue from in-game player monetization to extensive in-game media inventory. The CEO of Ralph Lauren recently cited that the metaverse is a key source of consumer acquisition and one of their faster growing revenue streams. That's right. A young consumer's first experience with Ralph Lauren could be buying a digital rugby shirt for their avatar. And that turns into physical purchases and lifelong brand affinity.

So, a quick recap of what we do for those of you that might be new to Super League. Super League builds and operates metaverse game worlds and content networks, and deploys empowering tools and analytics, creating a vibrant metaverse ecosystem for gamers, creators, and advertisers. That's our Super League universe. So, are we ready to dive into the metaverse? Remember, metaverse games have been around for over a decade. Players don't need VR headsets to get there, nor do you. The experience may be virtual, but the money we can generate for ourselves, our creators and our brand partners is real and right now. So, let's go.

First, let's travel into MTV's wildly popular rap battle show Wild 'N Out. You can see here, we faithfully recreated the Wild 'N Out stage inside our Minecraft owned and operated property Minehut, one of the largest connected networks of Minecraft servers in the world. We created amazing details from the real set, like the mechanical bull, D-Wrek's DJ booth and the Jeep in the audience. Beyond the stage, we created three obstacle courses that were unveiled weekly with viewers able to participate and win exclusive endgame prizes between broadcast. There was even a detailed backstage area with Nick Cannon's dressing room.

We can do the same with Roblox through our game network and content production capability, as evidenced in our delivery of the Samsung Superstar Galaxy featuring Charli XCX. Players were able to dance and perform to six Charli XCX songs and can beat on six custom built obstacle courses. As a build up to the event, players could chat with Charli XCX across various game worlds in our network, through our 3D interactive ad units. Like MTV, it is not just about delivering the endgame experience and player engagement, but also the power of the content to drive viewership.

We produced five weekly broadcasts with top tier YouTube influencers through our proprietary studio tech and capability. Hey, this is pretty neat. The Charli XCX experience was recently nominated for an MTV VMA Award for best metaverse performance, a brand new category, and another proof point that the metaverse is here to stay.

Now, I don't want to take anything away from Clayton's presentation, but we hit another company record this quarter, delivering over 4.2 million in revenues, up nearly 300% on a year-over-year basis. I am so incredibly proud of the team's hard work. This trip to the metaverse is a great demonstration of their talent and our technology. As well today, we reiterate our full year top-line outlook of 20 to 22 million in revenue.

We see operating leverage starting to kick in, we're controlling cost and simultaneously seeing sales force efficiency improving. The net of it all is our operating loss is shrinking faster than we had originally planned. I know that the state of the world and market has impacted many companies' ability to hit their forecast. So, we believe this is another way we set ourselves apart. Our response to COVID, our resiliency in a recession, with continued step change year-on-year revenue growth says a lot about what we've built and why it is undeniably relevant to our player and creator communities and brand partners. So, yes, we Super Leaguers, or as some like to call us, slugs, as a nod to our SLGG ticker symbol, feel like we're on a rocket ship. Clayton, over to you.

Clayton Haynes (06:36):

Thanks, Ann. And thank you all for joining us today. Okay. I am here to take you through our financials for the second quarter of 2022 at a high level. For those of you who have not yet had a chance to review, we posted our financial results for the second quarter of 2022 in the form of a quarterly letter to shareholders this afternoon.

Now, let's jump right into Super League's results for Q2 2022. Total revenues in the second quarter of 2022 increased nearly 300% to 4.3 million over the second quarter of 2021. The 3.2 million and nearly 300% increase in revenues in the second quarter was driven by strong percentage increases in our advertising and sponsorship and direct-to-consumer revenue streams. Advertising and sponsorship revenues, which as I have mentioned in previous earnings calls, includes direct sales advertising and brand sponsorship revenues, as well as programmatic display in video advertising revenues increased 625% to 3.5 million and comprised approximately 82% of total revenues for the second quarter of 2022, compared to 45% of total revenues in the second quarter of 2021.

The increase in revenues was primarily due to a 36% increase in our direct sales advertising revenue-generating customers driven by our growing premium in-game and in-stream advertising inventory and an over 560% increase in the average revenue per customer for the second quarter of 2022. Direct-to-consumer revenues, which consists of sales of digital goods and subscriptions across our owned and operated Minehut digital property and our Mineville and Pixel Paradise official Microsoft Minecraft servers rose 102%, to 473,000, and accounted for approximately 11% of revenues for the second quarter of 2022, compared to 22% of revenues in the second quarter of 2021.

Turning to our cost of revenues. This increased to 2.5 million compared to 533,000 in the comparable prior year quarter, primarily due to the significant increase in related revenues in the second quarter of 2022, compared to the prior year quarter. As a percent of revenue, gross profit, in the second quarter of 2022, was 43% compared to 51% in the prior year quarter. The reduction in margin was driven by the impact of a full quarter of Mobcrush related influencer marketing revenues in the second quarter of 2022, which on average have higher direct cost profiles as compared to one month of these revenues reflected in the second quarter of 2021.

While the 43% margin for Q2 2022 is still strong, our sales and product teams continue to be in the process of absorbing and optimizing the significant increase in our premium, high quality advertising inventory, which we believe will result in opportunities for us to drive up margins across our ad inventory in future periods, we continue to target a range of 45% to 50% for margins in the future periods, reflecting our premium advertising model.

During the second quarter of 2022 total operating expenses increased to 10.6 million versus 6.9 million in the comparable prior year quarter, primarily due to an increase in personnel costs associated with our fiscal year 2021 M&A activities and non-cash amortization of intangible assets acquired in connection with our fiscal year 2021 acquisitions. Also contributing, albeit to a lesser extent, were higher cloud services and other technology platform costs reflecting the expansion of activities in connection with our fiscal year 2021 acquisitions and the continuing strong engagement across our digital properties.

Moving on to non-cash amortization of intangible assets. This increased for the second quarter of 2022 to 1.3 million compared to 505,000 in the second quarter of 2021, reflecting a full quarter of amortization of intangible assets acquired in connection with our fiscal year 2021 acquisitions, compared to one month of amortization in the comparable prior year quarter.

Non-cash stock compensation charges for the second quarter of 2022 totaled 1 million compared to 561,000 in the second quarter of 2021. On a gap basis, which includes the impact of non-cash charges and credits, net loss in the second quarter of 2022 was 8.7 million or 24 cents per share, compared to a net loss of 2 million or 7 cents per share in the comparable prior year quarter. It is important to note that the second quarter 2021 gap net loss included a non-cash gain on debt extinguishment totaling 1.2 million and a non-cash gain related to a partial release of tax related valuation allowances totaling 3.1 million. Excluding the impact of these non-cash gains, the net loss for the second quarter of 2021 was 6.3 million or 23 cents per share. Excluding non-cash stock compensation charges, non-cash amortization of intangibles and non-cash gains, our pro-forma net loss for the second quarter of 2022 was 6.4 million or 17 cents per share, compared to 5.3 million or 19 cents per share in the comparable prior year quarter.

The change primarily reflects the significant increase in top-line revenues and gross profit, net of the expense related relationships and fluctuations I described earlier. In addition, the weighted average diluted share count for the second quarter of 2022 was 36.9 million compared to 27.2 million for the second quarter of 2021.

As a reminder, as disclosed in our quarterly letter, an 8-K filed with the SCC this afternoon, pro-forma net income or loss is a non-gap measure that we believe investors can use to compare and evaluate our financial results. As of June 30th, 2022, we reported 7.1 million in cash in total shareholder's equity of 76.2 million. Consistent with our previously disclosed outlook, our average monthly net cash burn rate for 2022 based on plan is expected to be in the 1.7 million range as we continue to focus on top-line revenues and controlled costs in connection with our commitment to reducing costs and improving the bottom line.

As previously disclosed, to strengthen our liquidity, in March of this year, we entered into an equity line of credit facility with an investor where we have the right, but not the obligation, to sell up to 7.3 million shares of common stock subject to the terms of the underlying agreement as previously filed with the SCC. In May 2022, we closed an additional 4 million in financing and this financing combined with the equity line of credit and earlier announced financing facilities, we believe provides the company with the ability to deliver against our 2022 growth strategy. Thank you for your time and for joining us today. Ann will now jump right into the Q&A portion of today's presentation. Ann.

Ann Hand (13:43):

Thank you, Clayton. Now, on a traditional earnings call, we will be fielding questions from our covering analysts, Scott Buck at H.C. Wainwright, and Jack Vander Aarde from Maxim Group. Today, I'm excited to be able to address questions not only from our covering analysts, but also our fans and Reddit community. So, let's hit it off. First question, "What do you see as the biggest challenge the org faces? What keeps you up at night?" I think the number one thing that keeps me up at night is that we just can't sell our inventory fast enough. Through organic growth and the M&A activity of last year, we have a massive amount of media inventory and reach across metaverse games. Yet, we only sell about 2% to 3% of it a month. That's why our reseller strategy was so critical that we launch at the start of the year, employing companies like iHeart and Nickelodeon, people who have far reaching sales forces and are already working with brands and advertisers to sell on our behalf and complement our direct sales team that is focused on domestic sales is critical.

This is very highly valuable, innovative inventory and brands and advertisers need to be educated that it's out there and to see how immersive and engaging of a product that it is. If you think about it, 2% to 3%, what's the opportunity there for the company? Well, if we were only selling 10%, 15%, 20% of that inventory, the guidance that we would be giving for this year would be double at least.

Next question, "As market talk shifts towards recession, economic slowdown, what are you seeing as far as advertising demand? Any decrease in the level of activity or the size of the potential deals?" This is what makes Super League in a really powerful, distinctive position. Our products are so unique and different, as I said earlier. 3D ad units interactively talking to players in game, dynamic billboards entertaining players through their gaming experience. These are the types of immersive products that advertisers want. I'm sure there will be some pullback in advertising, but, in my opinion, there is more than enough dollars being put to work and we are capturing such a small percentage right now of an advertiser share of wallet.

Now, that said, what gives me a lot of confidence as we move into our biggest selling seasons in 3 and 4Q, because of back-to-school spend and holiday spend is the fact that our pipeline health continues to thrive. I talked to you last call about the fact that our average deal size in the pipeline was about 200K. Well, it's changed, it's improved. It's now about \$270,000. If I had reported a year ago that average deal size, it'd be more in the \$50,000 to \$70,000 per deal size. So, that just shows you, again, that our end-to-end solution allows us to grab more share of that wallet. Advertisers can put more to work through Super League.

Also, too, we see notable names coming back, about 73% of the ad dollars spent in Super League in Q2 were repeat buyers. So, we're proving the ROI for the campaigns they're looking for and they're coming back and putting more money to work. Now, that said, another thing we try to look for is not just repeat. We know that the Disneys and the Universals are coming back and spending more money, as they have for some time, even, even brands like Hyundai. But we also like to see new entrances, companies like Nike and Kellogg's coming into the mix, new verticals that are seen that their consumers are in the metaverse and that is a new way for them to reach and engage with that younger audience.

We did some great activations this past quarter, had a lot of fun with Sony's Spider-Man, Disney's Doctor Strange, and DreamWorks Animation's The Bad Guys, introducing new IP in the metaverse. I think we'll continue to see our entertainment and games vertical be one of our strongest, but we're really excited about the diversification we're seeing as well.

"Can you give any color on headcount? Is hiring new talent a challenge and/or a focus?" Yeah, right now, we're in a really nice position with Super League. We sat down with the board at the end of the year in an early Q1 and we talked about what is it going to take for us to deliver this year-on-year sizable growth. We're doubling the revenue relative to last year. What we did is we really did a smart plan and said, "What are the resources we need right now to ramp up and to get us ready for that growth and to deliver into 2023?"

I'm pleased to say that we are able to deliver the full year plan with the headcount that we have right now. More importantly, we have still continued to find efficiency in our labor cost and other costs like infrastructure. So, we feel we have the right team. We don't have to really bring on additional headcount to deliver the results that we've promised to you, the shareholder. Again, as I said earlier, we have really high productivity levels. So, we think we have the capability to even lift the capacity on what this team can deliver.

"If Super League fails to meet Nasdaq minimum price requirements, will we consider a reverse split?" I want to take a minute and spend some time on this. Our shareholders are our most important constituents. While we believe our current share price does not nearly reflect the full value of Super League, we're doing everything we can to keep the transparency with our investment community consistent and, ultimately, at an all time high.

As many of you may have seen, we released preliminary top-line results and reiterate guidance last week for this reason. We closed our books and felt it was imperative to inform our constituents that our top line had improved substantially. That said, I am sure you understand. I'm not able to comment on things like a potential reverse split.

Next question. "Talk to us about margins. What's your targeted run rate here? How do you anticipate margins trending through the remainder of the year?" Super question. So, if you recall, the first half of last year, Super League was trending in that 45% to 50% margin target. That is our target as we move forward. Now, when we did some M&A last year, we inherited some products into our ad inventory model that actually had a lower margin. So, I talked to you a little bit in the Q3 call last year about the fact that we were resetting our rate cards and that we were going to start walking those average margins back up. So, we walked from about 39% to about 44% by the end of the year. I'm pleased to say that we continue now to nest in that 40% to 45% range.

The good news is this. We have so much on horizon with our product roadmap. So, when I talk about things like those catalog ad units and 3D interactive units, those are premium CPM products that will continue to augment our inventory and catalog of what we can offer to advertisers and we'll continue to see that margin grow. Now, I don't think that means that you'll all of a sudden see us reporting 60% or 70% margin. We feel like that 45% to 50% really puts us in a right strike zone. It's a fair valuation of what the quality of those ad units deliver. And equally, it allows us to stay competitive in the market, as we're really going through this education awareness phase with advertisers and agencies.

"When do you project you will achieve profitability? Given the most recent increased cost of borrowing, how do you plan to finance operations until profitability is achieved?" Now, I alluded a bit to this in the earlier conversation that we were having. Look, we take it very seriously that we have to deliver the top-line growth that the investors clearly said they expected and wanted from us over the last 12 to 24 months and we're doing that. And yet, we want to pull forward cash flow, sustainable profitability faster.

That's why we've been able to flatten and, in some places, reduce our operating cost. We've been able, as I mentioned earlier, to see an improvement in our sales force, efficiency and effectiveness. What does that mean? That means bigger deal sizes, a closer time from start-of-deal chase to deal close. It's also about the effectiveness of our individual sales leaders, pushing them to achieve maximum capability of the amount of sales they can each individually achieve in a given year. So, we like the direction that our sales effectiveness is moving. And that's why I'm able to say that we right now see, in our current forecast, that we will be pulling forward, break even with the shrinking operating losses faster than originally expected at the start of the year.

Over the last few years, Super League has changed quite a bit due to strategic acquisitions. Some revenue streams are well established. Others still may be in their infancy. "What do you see as the fastest growth segment of the business for the next three years?" It's the right question. I still think that the ad model, that's about 70% of our revenue this year, is right now what has us the most ahead, the most distinctive. As I mentioned earlier, only using 2% to 3% of available monthly inventory, so much upside if we can continue to improve the effectiveness of our own sales force and leverage the workforces, the sales forces of others, all those reseller partners I've talked about. That really is the primary focus of the company.

That said, we are excited about the growth we're seeing on our other two revenue streams. First, let's talk about direct to consumer. You probably saw an announcement last week that we relaunched an owned and operated world for Super League inside of Roblox called Anime Battlegrounds X. We're really excited about the potential of this owned and operated world. We have more plans ahead to bring more Roblox O&O worlds that Super League operates for ourselves. That means not just the media inventory that we can expand and control in those worlds that we own and operate, but it also means that we can now participate in the end game player transaction economy as well. Those will be sources of improving our DTC revenues. In addition to the direct-to-consumer revenues, we already extract from our Minecraft properties, Mineville, Pixel Paradise, and Minehut.

As far as our third leg of revenue, it's really about our content and technology capability, the same bright people who are bringing me into the metaverse today and creating this fun broadcast for all of you are really talented and people hire them to do work for them. Our longtime partner, Topgolf, the professional eSports team, Gen.G, are people who hire us to help them create compelling eSports tournaments and broadcasts to achieve their own viewership and advertising objectives. So, we continue to see that as a nice source of revenue.

I've talked a little bit about the proprietary technology behind our fantastic studio team. You may have recalled that I talked in a previous call about the fact that companies like Endemol Shine like just our technology alone, not just the talent. And what they're seeing is that for productions that have nothing to do with eSports or metaverse games, the technology still allows them to drive efficiency in their own content production budgets. So, we were used for a second season of Lego Masters, the wildly popular game show. We continue to think that there's an opportunity for that technology as well behind the content we produce to be something that could turn into a bit of a SaaS product.

As well, we've always talked about the hundreds of millions of hours of gameplay that are produced on our platform per year. Well, that's content we own, and that derivative content we believe, over time, could have value to others. As I mentioned before, probably the best evidence of that today is our continued partnership with Snapchat, where we deploy shorts to them every week for them to post on their stories. Usually, it's an aggregation of some of our top highlights off of our Framerate social channels, player highlights, and we receive an ad share revenue for that content. So, what we like about the direct-to-consumer and content legs of revenue is not only the growth is nice and it's achieving a really nice growth year on year, there's a lot of potential for them, but it also smooths out the seasonality, the inevitable seasonality of an ad model.

"Love the rebranding and website updates." Thank you. "Do you have anything in the works with Nickelodeon for Halloween this year? If this isn't public, can you touch on if these game events have been successful in engaging and retaining new players?" Well, first of all, thank you so much for your comments about the rebranding. I've built a lot of different consumer brands over my work experience, and it's amazing to me when you take a moment to pause and say, "What is the brand today? What does it stand for? And what does it mean?" Once you're able to really craft that simple narrative, all of a sudden, every other decision point flows from it.

Yes, Spooktacular will be back, as well as Snow Days in the holiday season, we find that when we create these tent-pole events inside Minehut, and now taking them into Roblox as well, that this is a really fun way to galvanize not just our players, who love these repeat experiences that they've come to count on, on a seasonal basis, but it also becomes a really nice lightning bolt to bring our advertisers in, right? And to show them that this is a tent-pole they can get behind as they start to dip their toe into metaverse games and reaching this super elusive, but fantastically fun, engaging audience of young gamers.

Okay. Our last question, "What are investors missing?" Well, look, a lot of you have been there with us from the beginning and we see the Reddit community actively analyzing our stock and the trends, and you really have dug in. And your commitment and loyalty is a source of energy to us, as well as our institutional investors. I think probably the thing that the market is missing about us is just our exceptional growth, the way that we have started to really eat at those, those operating losses. The fact that right now, again, our opinion, I think that our stock is really devalued. It will really be ultimately for the markets to decide that. But giving guidance at 20 to 22 million to be right in line or beating our analyst estimates and ensuring delivery in such a tough market environment, I think says a lot about the power and the future where the stock can go. So, we hope that people stay with us and we hope as well that we have new investors who are excited that this is a gross stock that is at a reasonable price.

Well, thanks for watching our first investor video and from all of the Super League team, have a great day. Bye-bye.