

Transcript of  
Dolphin Entertainment, Inc.  
First Quarter 2021 Earnings Call  
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**Participants**

James Carbonara - Investor Relations, Dolphin Entertainment, Inc.  
Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.  
Mirta Negrini - Chief Financial Officer, Dolphin Entertainment, Inc.

**Analysts**

Allen Klee - Maxim Group

**Presentation**

**Operator**

Good day, ladies and gentlemen. And welcome to Dolphin Entertainment First Quarter 2021 Earnings Call. All lines have been placed in a listen-only mode and the floor will be opened for your questions and comments following presentation. [Operator Instructions]

At this time, it is my pleasure to turn floor over to your host, James Carbonara. Sir, the floor is yours.

**James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Thank you, and once again, welcome to Dolphin Entertainment's first quarter 2021 earnings call. With me on the call are Bill O'Dowd, Chief Executive Officer and Mirta Negrini, Chief Financial Officer.

I would like to begin the call by reading the Safe Harbor statement. This statement is made pursuant to the Safe Harbor statement for forward-looking statements described in the Private Securities Litigation Reform Act of 1995.

All statements made on this call with the exception of historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Although the company believes that expectations and assumptions reflected in these forward-looking statements are reasonable, it makes no assurances that such expectations will prove to have been correct. Actual results may differ materially from those expressed or implied in the forward-looking statements due to various risks and uncertainties.

For a discussion of such risks and uncertainties, which could cause actual results to differ from those expressed or implied in the forward-looking statements, please see risk factors detailed in the company's Annual Report on Form 10-K, contained in subsequent filed reports on Form 10-Q, as well as in other reports that the company files from time-to-time with the Securities and Exchange Commission.

Any forward-looking statements included in this earnings call are made only as of the date of this call. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent knowledge, events or circumstances.

Now, I would like to turn the call over to Bill O'Dowd, Chief Executive Officer of Dolphin Entertainment. Bill, please proceed.

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Thanks, James and hi, everyone. Good afternoon. Thank you for joining us today. It does feel like only yesterday when we heard James reading Safe Harbor statement for the 10-K. It's hard to believe it was only four weeks ago.

Following in our traditional format, I will start by discussing our financials at a high level and then speak about Dolphin 1.0 and the B/Hi acquisition in the first quarter and then move to our launch of Dolphin 2.0 in the first quarter and our subsequent announcements regarding NFTs.

So, beginning with financials. First quarter revenue grew to approximately 7.2 million from 6.6 million last year. We continue to believe that full year 2021 revenues will pass 30 million without taking into account any Dolphin 2.0 initiatives. And as we noted in today's press release, our Q1 top line financials reflect the strength of our Super Group. However, we had a bottom line net loss of 5.3 million, which was largely the result of non-cash charges in the aggregate amount of 4.4 million, stemming primarily from changes in fair value accounting that has affected Dolphin for the past four years from March 2017 through March of 2021. We are pleased to report that all puts from the purchase of 42West in 2017 have now been exercised and furthermore, all the 20,000 warrants have either expired or been exercised as well. We expect this elimination of derivative exposure will greatly simplify our balance sheet. And combined with our expectation to reach positive working capital within this year, we'll unlock significant shareholder value.

Moving to Dolphin 1.0 first quarter and year to date highlights, we'll begin with 42West. As many of you know, the most recent Power 50 List of PR firms in this country from the New York Observer, 42West was ranked the most powerful PR firm in entertainment. Unsurprisingly, 42West brought that power to another successful academy award season, culminating in a 2021 ceremony that sought 42West involved in various capacities with 13 films that earned a total of 32 Academy Award nominations, and won six Oscars. 42West worked on elements of the awards campaigns for Nomadland, which led all films with three wins including Best Picture, Sound of Metal which tied for second and overall wins with two for Best Film Editing and best sound and Promising Young Woman, which was given the first award of the night, Best Original Screenplay.

Earlier this year, we acquired B/HI, a leading entertainment consumer products video gaming and esports PR firm that has become a division of 42West. The acquisition of B/HI provides an entry point into the final outstanding sizable vertical of entertaining for our Super Group, the \$160 billion video gaming and esports market. This transaction has been instantly rewarding as we announced soon after the purchase of B/HI, we signed Funko to promote their Snapsies consumer product line, marketing Funko launch into the toy vertical. And 42West and B/HI have also signed Tyler Blevins, otherwise known to his fans as Ninja, the most popular video gamer in the world. It's been a great start with B/HI.

Also in the Dolphin family is Shore Fire Media, the very best in the music PR business. This month, it was announced that Shore Fire clients Carole King and Todd Rundgren were inducted into the Rock & Roll Hall of Fame. In addition Shore Fire regularly has fantastic nights at the Grammy Awards, including this year, when Shore Fire's client base earned 15 Grammy nominations, including one for Album of the Year in multiple genres of film and comedy categories.

The third cornerstone of our PR firms is The Door, we unequivocally adore this company. They are the foremost culinary and hospitality PR firm in the world. And they've launched a Consumer Products Division that has grown immensely, and which is a considerable opportunity for us. The Door played leading roles in some of our first NFTs announcements since launching our NFT division in the first quarter, and we'll highlight that shortly.

In addition to these three PR firms is Viewpoint Creative, our creative agency that we believe creates the finest marketing videos in the field, among many other inspired resources. Their heritage is in TV and we've now leveraged their skills to create publicity videos for clients spanning our PR firms, including the Consumer Products Division at The Door. This month Viewpoint partnered with The Door to develop strategy and digital content for Leary Firefighters Foundation's international firefighters' day broadcast event, which recognizes firefighters and launches the foundation's virtual training video series with the largest fire training exercise in New York City.

And our recent acquisition of Be Social, a leading influencer marketing firm out of Los Angeles, has been highly strategic for us. As many listeners know, Be Social represents both popular individual influencers under its talent management division and also services individual brands through both organic and paid influencer marketing campaigns, media relations, digital strategy and events. Be Social's own labeled product BrandEdit, an organic sampling turnkey solution for brand discovery and amplification has been extremely well received and we expect to grow from two such launches in 2020, to eight of them in 2021. So, all of our members of the Super Group are off to a great start for the year.

Moving to Dolphin 2.0. As a reminder, for anyone new on the call or to the Dolphin story, we define the work of our Super Group under Dolphin 1.0 as the marketing of pop culture and we define what we call Dolphin 2.0 as using pop culture to market, specifically marketing assets that we own. And in 2021, we expect to launch six dolphin 2.0 products or initiatives with two each across ownership categories of first, consumer products; second, entertainment content; and

third, equity in other companies. The first of these six has already launched, it falls under the consumer products category and is our NFTs division.

In Q1 we announced the formation of our new division dedicated to designing, producing, releasing and promoting NFTs for ourselves and our partners within the film, television, music, gaming, culinary, sports and technology industries. As we mentioned at the time, NFTs, whether it's digital art in their own right, or as collectibles, or simply as promotional items, have entered the realm of pop culture and entertainment, which is where Dolphin lives. We believe Dolphin's best-in-class entertainment marketing companies are uniquely positioned to capitalize on the expanded promotional capabilities that NFTs represent, as well as to maximize their potential revenue streams.

We also announced our first NFTs vertical, sports through a partnership with Hall of Fame Resort and Entertainment Company. HOFV is a leader, at the crossroads of professional football and entertainment, which makes them a perfect first partner for Dolphin's new NFT division. Earlier today, we dropped our first collection of NFTs together, very exciting, around the iconic wide receiver Tim Brown, one of only 10 men to both won the Heisman Trophy and to have been inducted into the Professional Football Hall of Fame. The items are currently available on OpenSea and can also be viewed at [TimBrownNFTs.com](https://www.TimBrownNFTs.com). We are very proud of these pieces, as we know are Tim and our partners at HOFV, they are the perfect launch into this exciting new world of opportunities for Dolphin.

Speaking of which, today we announced the culinary world will be our second vertical for NFTs. Through the leadership of The Door, our NFT division has begun developing a first of its kind, NFT collectible recipe card system, which will debut with some of the most important culinary figures in the country, including world renowned chefs Nina Compton, Hugh Acheson, Marc Forgione, Dale Talde and Ludo Lefebvre, to name just a few. Each partner chef in this and future Recipe Card NFT programs will create exclusive seasonally inspired recipes that will come to life with visually stunning digital 3D art that will be exclusive to the consumers who buy the NFTs. We are thinking about collectibles in every space we work in within the entertainment industry. And when it comes to the culinary world, collectibles begin and end with recipes. We believe our upcoming Recipe Card collection will be the first major entry in the culinary NFT space.

Additionally, in the culinary space, just less than two hours ago, we launched a really unique NFT collection with Romero Britto in collaboration with longtime Door client, The South Beach Wine & Food Festival. Many folks know Romero as a world famous, as the founder of The Happy Art Movement. Another fun fact about Romero though is that he designed the very first guest pass for The South Beach Wine & Food Festival 20 years ago. So as this year's edition is this week, it only seems fitting that he launches this collection to support the festival. His original art piece entitled It's So Miami just went on auction on OpenSea, as I mentioned a couple of hours ago and check it out also at Britto -- excuse me BrittoNFTs.com. I can say it's really cool. And as a native Miami and I can definitely say that Romero captures the vibrancy of our city like no other artist I've ever seen.

So we are often running in the NFT space and it is hard as it is to believe NFTs only represent one of the six Dolphin 2.0 initiatives we expect to announce this year. We believe we will be announcing one more consumer products initiative this year, along with two in entertainment content, and another two as equity and other companies that are launching entertainment content or consumer products. We believe each of these six initiatives, including NFTs have the potential to be a major catalyst for our company. Dolphin 2.0 was here and we could not be more excited.

With that said, I'll now turn it over to Mirta.

**Mirta Negrini - Chief Financial Officer, Dolphin Entertainment, Inc.**

Thank you, Bill and good afternoon, everyone. I will now discuss results for the quarter ended March 31, 2021. Revenue for the quarter ended March 31, 2021 was 7.2 million compared to 6.6 million in the quarter ended March 31, 2020. Overall operating expenses for Q1 2021 were approximately 8.4 million compared to 7.5 million in Q1 of 2020. Operating expenses are composed of direct costs, selling general and administrative costs, depreciation and amortization, legal and professional fees and payroll costs.

Direct costs for Q1 of 2021 were approximately 829,000 compared to 689,000 in the same period of prior year. Selling, general and administrative expenses for Q1 2021 were 1.5 million compared to 1.1 million in Q1 of 2020. Legal and professional fees were 345,000 in Q1 of 2021 compared to 284,000 in Q1 of 2020. Payroll costs were approximately 5.2 million in Q1 of 2021 as compared to 4.9 million in Q1 of 2020.

Operating loss for the quarter ended March 31, 2021 of 1.2 million, included non-cash items from depreciation and amortization of \$482,712 as compared to an operating loss of \$870,859, which included non-cash items from depreciation and amortization of \$521,003 for the same period in the prior year. Net loss for the quarter ended March 31, 2021 was approximately 5.3 million, which included \$4.4 million in non-cash items stemming from depreciation and amortization of \$482,712 and a negative change in fair value of derivative liabilities, warrants, put rights and contingent consideration of 3.9 million, compared to net income of \$2.1 million, which included non-cash items from depreciation and amortization of \$521,003, offset by a non-cash positive change in fair value of derivative liabilities, warrants, put rights and contingent consideration items in the amount of \$1.8 million, for the same period in the prior year.

For the three months ended March 31, 2021, we had basic and diluted loss per share of \$0.73, based on 7,267,297 shares outstanding. For the three months ended March 31, 2020, we had basic earnings per share of \$0.40 based on 4,099,713 shares outstanding and diluted earnings per share of \$0.05 per share, based on 5,676,996 shares outstanding. Cash and cash equivalents were 7.1 million as of March 31, 2021 compared to 7.9 million as of December 31, 2020.

That concludes my financial remarks. I will now ask the operator to open the phone line for Q&A. Operator, can you please call for questions?

**Operator**

Thank you. [Operator Instructions] And we take our first question from Allen Klee with the Maxim Group. Please go ahead.

**Q:** Hi, good afternoon. You had a lot of stuff going on in a positive way. Could you start off talking about, just in general, for your entertainment segments, how you're thinking about the recovery, in terms of movies and music and the other way areas, live events to kind of where you think, like, we're going to see things to start to pick up. Thank you.

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Sure. Thank you, Allen. And yeah, we're very excited too and see a lot of positive things happening as well. Well, and that's reflected a little bit in the in the revenue growth, right. I mean, we went sequentially up from fourth quarter pretty significantly, broke 7 million for the first time. Expect will do better here in the second quarter. Of course, as the country is starting to open up, in terms of movies, which is where we started, the movie release calendar is firming up; movies are being slotted and held in those dates by the studios and independents alike. 42West is signing an awful lot of business for the second half of this year. And we feel really bullish about 42West having the return of the movie business to complement all the great work they're doing with the streaming services. Hard to believe that's growing, too. But it's been a good year of streaming services work and adding the movies to it will only help. And yeah, we feel very good about that.

And in terms of other aspects, Shore Fire is doing very, very well for us. I think they're having record revenue on a monthly basis, coming into the summer. That will only increase with the return of live music. Some of the smaller venues are talking about coming back in Q3, Q4, we expect that will happen. We have such a large roster of musicians that many of them play those types of venues. Obviously, your major acts whether it's Dave Matthews Band, Bruce Springsteen or whatnot, those acts play arenas and I'm not as confident that we'll be back by Q4 but certainly next year. But just with the return of the bulk of the live music in the second half of this year, I think we're going to continue to see Shore Fire growing and establishing new records for themselves, as they've already been doing.

The last of the recovery for us The Door, hotels, we're seeing come back, which is exciting. I imagine it will be more -- it'll ramp in more Q3 which is the second half of the year should be good for us in that regard. What I don't have visibility on, on this call, would be the restaurant business. We know that the world is opening up, we know that restaurants are looking at opening but sitting here today, I don't have visibility on that. Obviously, that would be monumental because of the leadership position they have in the restaurant business. All of this revenue growth is being done without \$1 of restaurant businesses that comes in, it will make an immediate impact. So I imagine by the time we speak again in August, we'll have visibility if it hasn't already started, if that's helpful.

**Q:** That's great. And then in your longer term plans to be able to also produce content such as movies, I know there has been a challenge of waiting for insurance to be available. Any thoughts on where that stands? And when that might get resolved or whatever else that needs to get resolved? Thank you.



**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Yeah, I feel bullish about that, too. I just came back from Los Angeles, where I was last week, the combination of either production insurance or the simple fact that vaccinations are taking up, people are starting to plan and production could occur this year. And independent production, I'm talking about, not studios or streamers that are self-funding. And so I feel very good about that. It's certainly playing into our belief that we'll have two entertainment content announcements this year. I feel very good about that.

And part of that is because we know that we expect we can go into production, obviously complementing a second consumer products initiative and then of course the two taking equity in other people's companies. It -- content, we want those two from content and make sure we hit all six this year, and I'm confident that we'll have that. And I think that's great for the sector. And it's been so -- it's been a hard year for a lot of independent producers and artisans that work on independent film. So it's nice to see that second half of this year, we should see a return to production for them that'd be great.

**Q:** Yeah, I don't think the markets figured out like, at least the way you explain the business models that if they get sold -- if you do a smaller film, and you sell it to a streaming site where they cover your costs, and you get a guaranteed profit. If -- I mean, if you've made a million dollars on like -- if you did a \$5 million budget and got a 20% like profit on top of that, on your share count that works out to like \$0.14 a share and if you were able to do four of them a year, like this is pretty meaningful to the bottom line at a much lower risk than what people used to think of making movies. I mean, am I understanding that right or?

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Yeah, you are. And you may want to become a producer yourself, Allen, I don't know. But the -- it's why, in nutshell, what you just described is why the whole point of Dolphin 2.0, you can do so much better when you own what you're marketing to, right. So build, scale, get the best-in-class marketing companies across every vertical to give you as many cross-selling opportunities as possible, as many entry points into owning some of what you're marketing as possible, and then go back into production, which is something that we know very well.

And production can mean movies, it can mean TV, it can mean podcasts, it can mean all types of different forms of content, and do them all. And when you can access the very best creators, what often gets overlooked too, is the fact that 42West, as what we think is by far the very best writer, director roster in Hollywood too. And when you can work with some really great creatives, then you can make some really great content. And it's at the cornerstone of the three initiatives we really want to do; content, consumer products, and equity, and of course in 2022 live events. But for this year those three and we're excited to go back into content. And then of course, that's my background for 20 plus years, so it's in the lifeblood of Dolphin.

**Q:** When do you think we might have more clarity on some of the content, things like NFTs of how to think about the economic business model of what it can mean to Dolphin Entertainment?

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

I'll stick by my thoughts on like 10-K call. I think, on our Q2 call, August 15, we should have laid out a good number of the initiatives for the market, be able to start modeling, what people may assume could be expected for either Q4 or 2022. By then we'll have the visibility that I'm encouraged by after LA last week about production but also the announcements in those other initiatives, whether it be equity or the other -- potentially the other consumer products initiative, that might actually be the latest one, but the latest one in the year, I mean, but I would expect we'd have many of the other initiatives already announced. So I think on a call, we could point to when we would expect to be able to start production as well as when we would expect to launch or receive revenue from the other initiatives as well.

And then on the NFTs, what a day to day, I mean it kind of worked out fortuitously for us with an earnings call in the afternoon and we were launching the first of the Hall of Fame, partnership NFTs. We're very proud of those. Those really represent, I think, the very best of what Dolphin has to offer, which are these really cool NFTs. I encourage everyone to check them out and see what the artistry of those and big kudos to Charlie Dougiello, Lois O'Neill and others in the NFT division, Julia Levy for assembling and working through the creative process on those. But then also, we announced our major -- second major category.

And as I said, on the 10-K call, we expect to have an NFT strategy and partnerships in every vertical that we work in across all of pop culture. So, now we're into sports and culinary. That's a big announcement for the foodies out there, I know. Gotten a few congratulations on those chefs that we announced but if you're not as familiar in the food space, those are major, major chefs. And we're excited for the culinary world. We have a lot we can do in there. The Recipe Card program will be a cornerstone for us, but there's more coming. And then we'll have more verticals to announce before August 15 too. So that's where I think by that date, we'll have a sense of the scope of the NFTs we'll be creating by the end of the year and then into 2022.

**Q:** Is there a way to attain -- for example, with the culinary, like, do you have an idea in the -- at least in the first year of how many NFTs this would represent?

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Well, I think you can definitively state that we wouldn't even call it a vertical if it wasn't in the thousands. So and it'll rapidly move into the tens of thousands, we would hope. So, that's where I think in terms of modeling a scale, by time we get to August 15, that we've announced a third vertical and fourth vertical or so then you can start thinking about what that can mean on an annual basis. And I think the market will then see that there are some pretty high flying valuations for NFT companies out there and I think we're going to feel very good about our position because we're in so many different verticals. And each vertical can have multiple products, right. I mean, culinary is a massive field by itself, but so would be movies and TV. So would be music, right.



So, I don't think that's been appreciated yet just how large our opportunity is within because any one of these verticals is an entire business in and of itself. So, we're excited for that to get recognized and as we just launched the person and the products in market. A lot of people talk a good game, but we've got product in market and more coming, so patience wins the day and 90 days from now, we're excited to share what we have announced by then.

**Q:** Okay, great. That's it for me. Congratulations.

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Thank you.

**Operator**

There are no further questions. We return to Bill O'Dowd for closing remarks.

**Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.**

Sure. Well, thank you. Thank you, everyone. I know we – this is probably an easier and quicker call since we just spoke a few weeks ago. But for those who've been following the Dolphin story, pre-uplift onto NASDAQ, I know this day was coming to for the, as I said at the top of the call, the removal of a lot of those derivative liabilities finished, the fact that we've exercised or had all the puts exercised from the purchase of 42West four years -- that was a four year schedule and having that removed is just, again, a further element of this year having such a stronger balance sheet and we're very excited for that, and the fact that all the 20,000 warrants have been exercised or expired as well. So, we still feel we'll have a positive working capital this year and with all of the different exciting aspects of Dolphin 2.0, yes, including NFTs I know, that's what a lot of people want to talk about, but in addition to the NFTs, all the different initiatives we have, as we've outlined the categories of them, we're excited for what's coming.

So now we'll have a normal 90 days between calls. And I think you can expect a few different announcements between now and then and hopefully get your hands around what we're building here and we're all excited. In the meantime, please check out the NFTs, I think you're going to love them and we'll hope for the best, especially across all of them but for the charitable aspect of the burrito [ph] pieces, we'd like to raise some money for charity as well. So, thank you everyone for your time and hope everybody has a great rest of their day. Thank you.

**Operator**

Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time. Have a great day.