

Transcript of  
Dolphin Entertainment, Inc.  
Fourth Quarter 2022 Earnings Conference Call  
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**Participants**

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

**Analysts**

Allen Klee - Maxim Group

**Presentation**

**Operator**

Greetings and Welcome to the Dolphin Entertainment Fourth Quarter 2022 Earnings Call. At this time, all participants are in a listen-only mode. [Operator Instructions].

I will now turn the conference over to your host James Carbonara, Investor Relations. You may begin.

**James Carbonara - Investor Relations, Hayden IR**

Thank you, operator, and once again, welcome to Dolphin Entertainment's Fourth Quarter and full year 2022 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 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 risk factors 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 and thank you for joining us today. As always, we'll start with the review of some financial and operating highlights, followed by a full financial review and then open it up for Q&A. So, from a financial highlights perspective, the fourth quarter set a new record for us with revenue of \$11.1 million, the first time we passed \$11 million in a quarter. Full year 2022 revenue exceeded our target increasing 13% year-over-year to a record \$40.5 million. Also, in 2022, our balance sheet continued to improve.

As followers of our company know, our put obligations have all been finished and we now have only one remaining earn-out from our previous acquisitions left to go, which will be paid this spring. Thus, our below the line items that need to be fairly valued will be cut in half, from four such line items to just two, which will dramatically simplify our financial reporting going forward. Furthermore, of the two remaining items, one of them are outstanding warrants of which there are only 20,000 -- that's right, just 20,000 warrants, and the other is the last remaining convertible note which needs to be fair valued, which only has a principal amount of \$500,000. Thus, as we near the completion of the acquisition strategy that built our Super Group, the volatility in the earnings that resulted from needing to fair value large amounts of puts and earn out consideration is nearing its completion, which will allow us to more closely align our net income results with the metric we measure ourselves by, which is actual operating income less depreciation and amortization. To put it simply, what was a more complicated balance sheet over the past several years, has been tremendously streamlined and simplified, and I think we're a stronger company for it.

Now let's move to some operational updates. I'm thrilled to begin with the news released this morning. A veteran Fortune 500 executive, Ellie Doty, has joined Dolphin as Chief Marketing Officer. I would like to take a few minutes to explain the strategic importance of this position. Okay, first off, Ellie has over 20 years of experience in high profile positions in major enterprises like Burger King, including being CMO there, Taco Bell, being a CMO there; and Chili's including being CMO there, which have shaped her into a formidable brand strategist and creative leader. Since leaving Burger King a little over a year ago, Ellie caught our eye by flexing this brand building expertise across several other sectors, including hospitality, tech, beauty and lifestyle, assisting startups with creating long-term brand building growth strategies. And Dolphin is at the next stage of its growth. I mean, this is strategic for us not just because we brought in a CMO of Ellie's caliber, but because specifically we expect to bring in multiple 2.0 opportunities over the next 12 to 24 months. Opportunities like Craffhouse Cocktails, wherein we get paid a cash fee to secure the services of the various Dolphin agencies working on the account, but also where we

receive equity in the product or services we are marketing. Some of these swings at the plate, since its opening day of baseball, right? Some of these will work, some will not. However, they all have a much better chance of success with Dolphin's agencies working for them. And they agree or they will not be willing to offer revenue and equity in exchange for our Super Group supporting them. And furthermore, all of these opportunities need a point person within Dolphin to interact with the partner and guide the best plan for success. With Ellie's background that person is her. Ellie has built marketing plans that range the gamut from startups with literally no money to an annual budget of \$400 million at Burger King. She came up in the business through brand strategy, which is the path we value the most, as opposed to media planning, let's say, which is all well and good but isn't helpful to many startups or early stage brands that don't have any money to pay for media, right. So you can media plan all you want but if you don't have the money to pay for it what's the point, whereas brand building is essential.

We expect that the vast majority, if not all, of our 2.0 opportunities will be brands that need building to hit their goals and dreams. Collectively, we have the ability to do that at scale. We need someone with the time and experience to guide our partners to the best results. And for the companies we are receiving an equity stake in, they are getting access to a seasoned Fortune 500 CMO, which is a resource they would never be able to have on their own. So basically, that is the why about Ellie and now I'm going to talk about the why now. Because we're starting to prep for the immediate future, one in which we expect to increase the pace of our 2.0 opportunity evaluations and negotiations. I know many listeners out there really, really like opportunities such as Craffhouse Cocktails for Dolphin. Quite frankly, these opportunities represent the value of building a Super Group. It's what we knew from the very beginning. We have something unique, and companies are willing to pay us cash and equity to tap into our ability to reach consumers at scale. They believe that what we have, and what we can do, can be game changing for them. It's that simple. And from our business perspective, we receive equity in companies we believe in without putting up cash ourselves. Actually, we receive cash along with the equity. It's a win-win and we get to fairly monetize what we have put together; the ability to access consumers at scale through every major vertical of pop culture -- movies, television, music, gaming, culinary, hospitality, and consumer products. Who else has that ability? We believe we have a strong pipeline of those opportunities and we needed to organize ourselves to be able to execute on a slate of such opportunities and that's why we hired Ellie now.

Lastly, as CMO, part of Ellie's role on Dolphin's growing executive leadership team will be traditional -- to design and execute a communications plan that for the first time turns the spotlight on ourselves, communicating what we have built, and giving an additional platform to both the work we are doing and to the incredible leaders within our Dolphin family. Currently, Ellie is collaborating with a team across Dolphin agencies to update the company's branding, messaging and materials. She too is a huge believer that the most powerful marketing is earned, which is to say public relations and influencer marketing, and she is working hard to develop new messaging and methods to share our unique story.

Okay, so, as we continue with Q4 2022 and recent highlights, Ellie's addition then becomes even more impactful due to the fact that in Q4 we expanded the number of companies in our Super Group. To that end, in mid-November, we announced that Dolphin had brought leading influencer marketing agency Socialyte into our family of best-in-class entertainment marketing agencies,

along with our West Coast influencer firm Be Social. Together, the two agencies represent over 200 leading creative talent with hundreds of millions of followers on social media. Socialyte and Be Social operating under one roof immediately creates an unrivaled bicoastal combination within the influencer marketing industry and we think gives us the entertainment industry's leading influencer marketing firm to go along with our best-in-class PR firms; 42West, Shore Fire, and The Door. Part of the reason that is so important is because the influencer marketing industry has experienced strong double-digit CAGR over the past five years, increasing from global brand spend of less than \$2 billion in 2016 to an estimate of \$14 billion in 2022. That's a 7x according to Grand View Research, and honestly, if we're being transparent, we think those numbers may be low. Influencer Marketing is just exploding. Anecdotally, I don't think there's anybody on this call that isn't aware of influencers on YouTube, on Instagram, on TikTok, that have enormous followings and enormous brand appeal.

With Socialyte and Be Social, we now expect that influencer marketing will represent 25% or more of our revenues in 2023. And because influencer marketing is absolutely one of the fastest growing segments in all of marketing, we expect that percentage of our overall revenues to grow in the coming years.

Speaking of influence, Shore Fire Media, Dolphin's industry-leading music PR firm had its influence shine in Q4 2022 and year-to-date 2023. Shore Fire represented clients who collectively earned an incredible 45 nominations for the 2023 Grammy Awards and then in February, those clients received a collective 14 Grammy Awards, including Song of the Year for Bonnie Raitt and Best New Artist for Samara Joy. And for those who ever want to know the difference of elite PR versus very good PR, then I would say, Shore Fire just gave a masterclass in that for especially those last two awards. Bonnie Raitt and Samara Joy are extremely talented artists that benefited from a beautifully run PR campaign to pull off upset wins in the biggest awards at the Grammys, right, Song of the Year and Best New Artist, incredible.

Also, let me just give a quick word on 42West, our film and television PR powerhouse. Their work on Top Gun: Maverick, supported a worldwide box office total of almost \$1.5 billion, the biggest of our client Tom Cruise's career to date. Additionally, Top Gun's Oscar campaign resulted in six Oscar nominations and an Academy Award for Best Sound and this all on top of running nearly 100 Emmy nomination campaigns last September, holy sugar.

And sticking with our PR firms for the moment, The Door, our leading culinary, hospitality, and lifestyle PR firm, had a busy fourth quarter that included placements for client Rachael Ray in Variety, work on campaigns for Honda's and Tao Hospitality Group.

Giving a few words to Be Social, previously mentioned Dolphin's West Coast influencer marketing group, they had a busy quarter that included a holiday showroom, as well as influencer partnerships with Victoria's Secret, Wall Street Journal, Canada Goose, Resi, and American Express to name a few.

And lastly, to say a few words about Viewpoint Creative, Dolphin's respected creative relations agency and video production boutique. Viewpoint's work in Q4 and year-to-date included a brand

image campaign for CBS News, New York, NBC Peacock's Sunday Night Football promos, witnessed those live watching the games many times, and Pay Pal, of course.

Okay, now let's shift gears to turn to providing updates on projects where Dolphin and its shareholders have equity and participate in the upside that our best-in-class marketing companies regularly enable for our clients. As many of you know, in 2022, Pan-Asian restaurant Hidden Leaf at The Midnight Theatre in Manhattan West opened. Midnight Theatre also held a soft opening and is partnered with MasterCard, as presenting sponsor for its programming. Dolphin manages all aspects of publicity and marketing for Midnight Theatre and Hidden Leaf and facilitates talent and commercial relationships within the entertainment and culinary industries. Dolphin also holds a meaningful ownership stake in the venture. Throughout its soft launch, we have held several private events, some of which were full buyouts -- many of which were also movie or television premieres. We continue to ramp up the original programming in the theater, as we're nearing completion of the development of our own magic show, which we expect to begin previews here coming up in Q2 with full opening of the theater. We're very excited for that.

Turning to NFTs -- in Q4, we were pleased to report that our flagship NFT collection Creature Chronicles minted on the Solana blockchain and featuring 7,777 custom-crafted avatars designed by Anthony Francisco, generated more than 13,000 in SOL in primary sales at mint time equaling about \$435,000. Many of you remember that occurred over 90 minutes on a Sunday afternoon. We credit -- it was a complete sellout. We can credit the success of the project to the stunning visuals from Anthony, the commitment of our team, and the dedication of our community. We are very proud of the success. With all that said, though, despite the success of this initial collection, as noted in our Q3 earnings call, we have paused the development of any new NFT collections, while we wait to see if there's an improvement in overall market sentiment towards these products, as well as the reinstatement of secondary royalties for new collections from the leading platforms.

It was also in 2022 that we announced a multi-year agreement with IMAX to jointly finance the development and production of a slate of feature-length documentaries for the global market. The first project greenlit is the Blue Angels, developed and co-produced with JJ Abrams, Bad Robot Productions and Zipper Bros Films. Blue Angels started filming last summer and is nearly finished production. We expect the film to hit IMAX theaters in the second half of this year. And on a side note, this film looks really, really good. You can never predict hits in this business, but I've been doing project financing for entertainment content since 1996, so I would say keep an eye out for this one. We look forward to sharing more details in the coming weeks. Man, it looks good.

Additionally, during 2022, we drove value for Craffhouse Cocktails, a pioneering brand of ready-to-drink all natural classic cocktails created by world renowned mixologist Charles Joly and esteemed restaurant owner Matt Lindner. This is an arrangement that I mentioned at the top of the call, wherein Dolphin received an ownership stake in the company and is compensated to manage publicity and marketing for the brand through our network of agencies.

All of these Dolphin ventures or Dolphin 2.0 projects are at various stages of development and will begin to create meaningful revenues for us here we expect in 2023. And as I mentioned in the beginning, with Ellie joining as CMO, we will be focused on building a slate of ventures where we put up no cash, are paid cash, and receive ownership stakes generally between 5% and 10% of

the companies where our agencies can accelerate their growth. When we ramp up to -- excuse me, when we ramp up to full speed on the evaluation, negotiation and execution of these deals, we expect to be able to add about three to four of those types of deals for us each year. And if so, within a very short period of time, those deals will create meaningful cash flow and will represent significant upside for Dolphin across the slate.

So, in summary, 2022 was a great year for us highlighted by the acquisition of Socialyte, the 50:50 deal with IMAX, and the soft opening of Midnight Theatre, and we expect 2023 to be even better. We had double-digit growth crossing over \$40 million in revenue. We certainly expect strong double-digit revenue growth again this year, with positive results from our 2.0 Ventures to share as well. Lastly, we expect 2023 will be the year we complete the original vision of our Super Group with the acquisition of a live events production company that will give us the ability to take ownership stakes in that vertical as well, which is highly strategic for us since our PR firms already market some of the country's most well-known food and music festivals, among many other live events. I could not be prouder of what Dolphin has built, where we are today, and the path we are on for this year and beyond to maximize shareholder value and to provide exciting opportunities across a broad range of entertainment.

Thank you for joining us. And to that end, 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 year ended December 31, 2022. Revenue for the year ended December 31, 2022 was approximately \$40.5 million, 13% above the revenues for the year ended December 31, 2021 of approximately \$35.7 million. Overall operating expenses for the year ended December 31, 2022 were approximately \$45.1 million, compared to approximately \$41.2 million in the prior year. Operating expenses are composed of direct costs, payroll and benefits, selling general and administrative costs, SG&A, acquisition costs, impairment of goodwill, change in fair value of contingent consideration, depreciation and amortization, and legal and professional fees. Direct costs for the year ended December 31, 2022 were \$3.6 million, compared to \$3.9 million in the prior year. Payroll costs were approximately \$29 million, compared to \$24 million in the prior year. SG&A expenses for the year ended December 31, 2022, were approximately \$6.6 million, compared to \$5.8 million in the prior year. Legal and professional fees for the year ended December 31, 2022, were approximately \$2.9 million, compared to \$2 million in the prior year.

Operating loss for the year ended December 31, 2022 of approximately \$4.6 million include the non-cash items from depreciation and amortization of \$1.8 million, impairment of goodwill of approximately \$900,000, a gain in the fair value of contingent consideration of approximately \$47,000, and non-recurring costs consisting of acquisition costs in the amount of approximately \$500,000, and legal and professional fees in the amount of approximately \$600,000 related to the restatement of our 2021 third quarter financial statements, the change in the audit firm, a financing arrangement and the filing of our Form S-1. This compares to an operating loss for the year ended December 31, 2021 of \$5.5 million, which includes non-cash items from depreciation and amortization of \$1.9 million and changes to the fair value of contingent consideration of \$3.7 million.



Net loss for the year ended December 31, 2022 of \$4.7 million includes non-cash items from depreciation and amortization of \$1.8 million, impairment of good will of approximately \$900,000, gain on the change in fair value of contingent consideration of approximately \$47,000, non-recurring acquisition costs of approximately \$500,000, legal and professional fees of approximately \$600,000 related to the restatement of the 2021 Q3 financial statements, change of audit firm, financing arrangement and filing of our Form S-1 and gains from the changes in the fair value of certain liabilities of approximately \$800,000. This compares to net loss for the year ended December 31, 2021 of \$6.5 million, which included non-cash items from depreciation and amortization of \$1.9 million, \$3.7 million from changes in the fair value of contingent consideration, and \$3.1 million from changes in the fair value of certain liabilities offset by a gain on the forgiveness of the Paycheck Protection Program loans of approximately \$3 million.

Basic loss per share for the year ended December 31, 2022 was \$0.49 per share based on 9,799,021 weighted average shares outstanding and fully diluted loss per share was \$0.56 per share based on 9,926,926 weighted average shares outstanding. This compares to \$0.85 of basic and fully diluted loss per share based on 7,614,774 weighted average shares outstanding in the prior year. Unrestricted cash and cash equivalents of \$6.1 million as compared to \$7.7 million as of December 31, 2021.

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

### **Operator**

[Operator Instructions] The first question is coming from Allen Klee from Maxim Group. Allen, your line is live.

**Interviewer:** Yes. Hi, good afternoon and congrats on so many things. Just so I'm trying to understand like the momentum and if I want to try to strip out like NFT's to think of it's reasonable to say the \$433,000, that won't repeat, is there anything else like extra money you were making on Dolphin 1.0 of marketing them that was material that we should think cuts back in 2023?

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

No, actually -- thank you for the kind words at the start Allen. If anything, 2022, removing NFT's is a net positive for us in 2023, not because we weren't successful in selling that collection, and Charles Dougiello and the whole team did a great job. But, we invested over the course of maybe 15 months, over a million dollars into building out our NFT capabilities. Over \$800,000 of that, I believe, hit in 2022 that were all expensed with the expectation that we would launch multiple NFT collections over the coming years and make a nice return on investment. Certainly \$400,000 on the first collection is a good start, right, to recoup a million. But, as you can see, since we paused the NFT business, just by not doing NFTs, 2023 should be a net of 600,000 or so -- \$400,000 to \$600,000 better, just because we don't have to re-expense the build of the platform. With that said, if we ever restart NFTs, then we don't expect nearly that type of expense to put up another collection of them, because we don't have to do some of the actions more than once. So it's a shame

where NFTs headed after we spent so much time and energy building an expertise in that, but we'll see if they come back.

**Interviewer:** Okay, great. And then if I have to guesstimate a little bit of 2.0 revenues in 2023, the big picture way to think about it of stuff is that you might get something from Midnight Theatre and Hidden Leaf, maybe more in the second half, if you have the full launch of Midnight Theatre in the second quarter, and then IMAX movie could be more like a third quarter event. Is there anything else I should be thinking about, besides those two things?

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

Well, those two are pretty big. Yeah and with Midnight Theatre getting to fully programmed and as you know, sometime this summer, late summer, early fall, being seven days a week of programming and theater and private events and in the restaurant, then that'll be meaningful. The IMAX movie can be very meaningful, based on what we've seen so far, and that will be -- our expectation is that it'll be in theaters late Q3, so that's nice. So yeah, those are certainly two things we wanted to highlight. We have some more 2.0 opportunities we expect to generate some revenue in the second half of this year that we'll be announcing in the coming weeks. Certainly that we're excited by but nothing we want to announce right now.

**Interviewer:** Okay, thank you. And then Socialyte, I think you would publish somewhere that -- I think that they did like \$4.5 million in the nine months of 2022, so that's going to be a big benefit for your 2023 numbers. Is there a way to think about if it's going to have in those synergies between them and Be Social that we could see in 2023?

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

Oh, yeah. Thank you for that question, Allen. I mean, we were blessed to bring Socialyte in to complement Be Social and then, obviously, we'll look at opportunities to have those companies come even closer together, if you will, but they're a highly strategic benefit. They benefit and complement each other. The scale that on -- each company has two main divisions, they have a talent management division and by combining the two we have scale to compete with and we think we've established a leading, if not the leading, influencer management firm. On the brand side, the other division, it gives us highly complementary skills. Socialyte does paid campaigns, so when a brand -- Airbnb comes and says we want to do a fall campaign we have \$1 million budget, will you help us identify that right influencers based on the demographics we want to hit, go contract with them, organize the campaign, make sure that influencers do what they're supposed to do on the time they're supposed to do it, report back to us the metrics etc. That's paid. And typically Socialyte takes a percentage of the overall campaign, so 20%, 30% of \$1 million.

Be Social does organic campaigns, where the brands may come to them and say, hey, we don't have money to spend on the influencers, but we'll give out sample products, free products, if you can get them to try it, and post about it and we'll pay you a fee of \$20,000, \$30,000, \$40,000, \$50,000 for each of those campaigns, and do more volume over them. The reason why it's highly complementary, besides now owning a leading agency, if not the leading agency, for each type of influencer campaign, is that not just can you offer both services now in house, but many brands



run both types of influencer campaigns. Within the same campaign, they could have both paid and organic to support their fall launch. Certainly almost every brand runs each type of campaign at some point throughout the year. So you get longer client relationships, deeper client relationships, as they say, a bigger share of clients' wallet and you just have a lot more ways to cross sell in the influencers as well.

And we're now fully bicoastal, Be Social was only in the West Coast. Now we have New York as well, we have Miami, we have Nashville. So everywhere where our PR firms have offices, we now actually have on the ground influencer marketing people as well and that shouldn't be understated. And in today's world where breaking marketing down into two buckets, paid media and earned media, earned media is the province of public relations and influencer marketing. They're the two legs that you stand on in our media. And as longtime listeners have heard, for every company that can afford a paid media campaign, there are nine companies I think that can't. And so these brands that launch will need PR and influencer marketing to get their word out and get their products and services noticed, and so you really want to have influencer marketing to complement PR. And if you have both, you have a powerhouse, and that's what we think we've built. So hopefully that gave you a sense of the strategy of why Socialyte and -- what Socialyte and Be Social together have is formidable.

**Interviewer:** Thank you. When I look at the other PR and marketing firms that you have in your portfolio, what are the drivers for organic growth in 2023?

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

Well, a couple of things. And we're starting to see one the cross selling just keeps going, right. So that's what was driving organic growth. When we -- even before Socialyte, in 2021, many of you remember how fast we were growing just organically from like it was \$7.2 million in Q1, \$8.6 million in Q2, \$9.4 million in Q3, and \$10.5 million in Q4, and that was all organic, there's no acquisition in there. What the -- that happens because we're getting better at creating synergies between our companies. But then secondly, you can go after different types of clients. So, Pay Pal has been one for a while, but we've signed other clients now that are, let's call it traditional Fortune 500s or large companies that don't have a direct tie to entertainment, but they want to use pop culture to get the word out about their product. And quite frankly, if you have any consumer facing product, you could probably use pop culture to create consumer awareness, right, because we're all human beings and we have multiple interests and so I might want to buy this makeup line today but I'm a huge fan of White Lotus, right, which is a TV show that 42West represents. So are there organic ways to have conversations or reach out about different things to the consumer and let them know about different opportunities that way. So, where a lot of our organic growth among the PR firms can come from, and there are many different sources, but one such source is just going from 0 to 50 in terms of the number of classic non-entertainment companies that use our services to reach the general consumer.

I'm thinking of -- we mentioned Häagen-Dazs on this call, there's a great example out of the Consumer Products Division of The Door again, and Charlie and the team, they're handling that account where Häagen-Dazs, by the way, does a very large influencer marketing business with us as well that would not have been a client of traditional entertainment PR firms perhaps even three

years ago. And they've had celebrity campaigns now through The Door and others that have done very well. So if you can have a company with a Pay Pal, with a Häagen-Dazs, with blank, blank, blank, blank, blank of some of our other clients, you can just grow organically, ad infinitum.

And we hired Ellie Doty, and for the first time, as I said on the call, now, we've hit scale in a different way. We've had scale in the types of companies we have under the umbrella, and we've got reach. So now if we market ourselves -- that can be to Wall Street, that could be to our own stakeholders, but that could be to the broader business community, corporate community -- and all of a sudden, we've got something different. And there are a lot of Chief Marketing Officers, Digital Marketing Officers, Social Marketing Officers out there, and these companies are trying to figure out how they get their word out. And here's a Dolphin over here that has all these different services and all this different type of reach using pop culture, and you can't fake it, you can't just say, oh, we're a traditional PR firm, we'll get you into entertainment. How are we going to do that? Versus Dolphin where we can say, well, we promote James Bond, Top Gun, Mission Impossible, Bruce Springsteen, Chance the Rapper, Dave Matthews Band, Rachael Ray, Robert Irvine, Emeril Lagasse, South Beach Wine & Food, New York Food & Wine, Super Bowl Music Fest; case closed, right. So that's what we want to do and I think that's how we're going to drive a lot of organic growth for our PR firms.

**Interviewer:** That's great. Last quarter, you mentioned a business you were going to be starting up, a celebrity chef business in New Orleans with Nina Compton. Any update on where that stands?

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

Sure, yeah, ShaSha Lounge. We're very excited for that one, too and, quite frankly, that should be one of those things I was mentioning that should happen in the second half of this year. Memberships will go on sale in the next few weeks. And thank you again, Charlie. The Door, again, has done a great job bringing that, ideating that with Nina and her husband and then bringing that to life and so it's about to about to kick off. And we couldn't be more excited for that because with success in New Orleans, many people that listened on previous earnings calls know that we have a very scalable model there since Nina and Charlie in the team that brought in other celebrity chefs to do guest appearances, for lack of a better word, at the lounge and restaurant in New Orleans that can become the home for the same concept in other cities. So whether it's Michelle Bernstein in Miami or Rodney Scott in Charleston or Stephanie Izard in Chicago, we're hopeful for that. And I don't know if many of you listening saw the profil last week in The New York Times about just the proliferation of membership only restaurants in Palm Beach in Florida, where I'm from, interesting profile in the Times. We see that just burgeoning.

And by the way, if you're not familiar with this concept, I mean, the initiation fees to join a restaurant only club in Palm Beach start at \$10,000 in many places, routinely \$20,000, and there are some that go as high as \$250,000. That's quite an initiation fee for a restaurant that you then go pay to have a meal at, so this type of idea of private membership clubs and the hybrid that's what Nina will do, you know open to the public but also a private membership club is something we're very interested in, and that we feel we're uniquely positioned to promote and that could be a massive growth driver. I'm not just talking about ShaSha, but just the general category of those

type establishments over the next three to five years and -- because the economics are extremely appealing if you can market them and get the membership. So seems like we're well positioned to help people that want to do that.

**Interviewer:** My last two questions are financial related. First, how do you think about operating expense growth in 2023, relative to revenue?

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

Well, you'll see the jump in SG&A in 2021 -- or 2022 to 2023. It'll also be a little bit of a jump in 2023 -- sorry, 2021 to 2022. It'll be a little bit of a jump in 2023 as we have Socialyte for a full year. But we don't expect operating expense increases beyond typical payroll increases. We like where we are, in terms of operating expenses, some of it will go down because, again, we're not expensing the building of an NFT business. But I don't expect any surprises. Obviously, we highlighted two that the change in audit firms was an expense that we didn't anticipate, prior to the year. It's a one-time expense of \$600,000. We don't anticipate having that again this year and other related expenses to the change in audit firms. So, yeah, we feel pretty good about not having some of the recurring -- some of those one-time costs just won't recur. So we don't anticipate anything on the horizon that would cause our operating expenses to jump up.

**Interviewer:** Okay, great. I don't know if you can answer this. Maybe I could ask this offline, but I just was trying to get a sense of your operating income for the quarter was around a minus 3 million. But then if I add back the various one-time items, you mentioned, impairment of goodwill changes, fair value contingent, non recurring, I think I get to around \$880,000 of kind of a -- this is back of the envelope, adjusted EBITDA, I don't know if you can tell me a sanity check on that makes sense or we could take it offline.

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

Well, we can go through each of those numbers offline, happy to do it. Yeah. I mean, we have relatively significant non-cash expenses, and then there's one-time charges, so it's kind of why we highlight it so people can see that we had \$40 million in revenue but we expect to do double-digit growth on that this year, wouldn't surprise us if we're 50 plus and we expect to be EBITDA positive. We measure ourselves by operating income and taking away the non-cash charges, like depreciation and amortization. That's how we know if we feel like we're doing well. So we're transitioning Dolphin into that stage where we want to be and expect to be cash positive on an annual basis and then we have these 2.0 opportunities such as provide that really great upside. If you have something that can pay off seven figure profits to you from a successful 2.0 venture, when you've got a \$40 million, \$50 million revenue company and single digit millions of profit and cash, that could double your profit, triple your profit. It's meaningful to a company our size. So that's the mousetrap we've built. And I know, Allen, you've been with us from the beginning. You've seen it from when we acquired 42West and wanted to up-list in NASDAQ and hopefully build a group. For those on the call that have known us for a while to see where we are now; seven acquisitions later, one more to go, to complete the original vision of building a Super Group that would be unique in the market, that would be cash positive, and then have the upside of these 2.0 opportunities, we're pretty far along in that story now. So, very lucky, feel very blessed about that.

**Interviewer:** Okay, fantastic. Thank you for answering all my questions.

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

Sure.

**Operator**

Thank you. There were no other questions from the lines. I will now hand the call back to Bill O'Dowd for closing remarks.

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

Okay, well, thank you. I did get an email from someone wondering if we were going to represent James Carbonara for his singing career through Shore Fire. We have not successfully signed James, but those who know James, maybe you want to push him in our direction. He may be hosting the safe harbor statement on the Q1 earnings call, that would be very exciting for all of us and then for Wall Street, I'm sure. Thank you, everybody. I know many of you have heard our -- many on this call who were on our Q3, you're seeing the progress hopefully quarter-over-quarter of our company and what we think we're building and, as you heard me say, to the last of Allen's questions. We certainly like where we are and 2023 is an exciting year for us because we collect revenue from our -- we expect to collect revenue from our 2.0 investments and we expect to significantly increase the number of opportunities we have in our slate with the hiring of Ellie, and the management team we're putting in place to be able to handle that, that should be very exciting for our company and give us a lot of upside in the future. So thanks, everybody, for both listening to this call and joining us on this journey. Look forward to the one in just about six weeks. Thank you, everybody.

**Operator**

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.