

Transcript of  
Dolphin Entertainment, Inc.  
Third 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 afternoon, ladies and gentlemen and welcome to the Dolphin Entertainment Third Quarter 2021 Earnings Call. At this time, all participants have been placed on a listen-only mode and we will open the floor for your questions and comments after the presentation.

It is now my pleasure to turn the 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 third 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 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 and thank you for joining us today. As always, we'll start with a 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 momentum from the first half of the year carried through to the third quarter. Looking at the P&L, we have set another new record with 9.4 million in revenue, up 70% year-over-year, with an absolutely fantastic 41% year-over-year organic growth from existing subsidiaries. Please note that this follows Q2, which set a record of 8.6 million in revenues, which followed Q1, which itself had a set a record of 7.2 million in revenues.

Next, looking at our operating income, which is the metric by which we gauge ourselves, it's positive for the second consecutive quarter, even when including the non-cash expenses of depreciation and amortization. To reiterate positive operating income from a MicroCap Entertainment Company, even including the D&A expense from our acquisitions. What's also nice is that we are EBITDA positive through the first nine months of the year, even while investing in our 2.0 initiatives.

Okay, let's turn to the balance sheet. We have a record cash position of \$12.7 million, which is an increase of 60% compared to December 31, 2020. Also, we now have significantly more cash than all debt combined, including long-term debt. Furthermore, let's look at our working capital. After reaching a peak working capital deficit at the end of 2019 of just under 16 million, as we borrowed to pursue our acquisition strategy to build our Super Group, we're now reporting a working capital surplus standing at 4.5 million, which is more than triple the working capital surplus as of June 30. And of course, since we're a cash positive company, we expect the surplus will only continue to grow. Thus, our balance sheet today, less than two years removed from our peak working capital deficit can only be fairly described as possibly our biggest strength when compared to our micro cap peers.

I'd like to reiterate the reason this is so important to us is because that working capital surplus gives us the muscle on our balance sheet for the next set of acquisitions and 2.0 investments. Where acquisitions on the same terms of any of the six we've already done, for example, we would be able to pay the cash component for any of them from cash currently on our balance

sheet. Furthermore, we have not needed to borrow money or do a drawdown on our S3 to fund the development of our NFT business. In short, this perfectly illustrates the better mousetrap we feel we built with Dolphin, a growing cash positive core business and Dolphin 1.0 that is capable of self funding the majority of investments and development costs of the big potential upside opportunities of Dolphin 2.0.

Now let's move to some operational updates on our Super Group, the companies that are making those great numbers happen. Let's start with Shore Fire Media, Dolphin's industry-leading music PR firm, which is having an absolutely terrific year. Shore Fire helped the concert and event business re-launch by publicizing 40 tours year-to-date from artists in all genres, the nation's largest festival in Milwaukee Summerfest and the reopening of nationally recognized venues including New York's legendary Blue Note and the award winning Brooklyn Bowl Nashville. Shore Fire's client Angelique Kidjo was named one of Times 100 most influential people, Carole King and Todd Rundgren were inducted into the Rock & Roll Hall of Fame and athlete Chris Bosh was inducted into the NBA Naismith Hall of Fame. Shore Fire's corporate clients including North America's leading live stream shopping platform Network, tech focus digital fan engagement company Mandolin and reservations technology platform Light have won Best in Class awards recently in Fast Company, Forbes, Ad Age, Adweek and Rolling Stone, thanks to Shore Fire's efforts.

Okay, how about 42West, Dolphin's entertainment PR powerhouse? Well, speaking of September that's Emmys month and 42West's extraordinary range of work for programs and individuals put their clients in position to receive a total of 19 Emmy nominations. Just to highlight a couple, the company's work on the Amazon series The Boys led to multiple nominations, including for Outstanding Drama Series. Also as a result of 42West's campaign efforts, the acclaimed music documentary Billie Eilish, The World's a Little Blurry, earned a total of four nominations.

Turning to B/HI, a division of 42West with a particular focus on entertainment consumer products and gaming. B/HI was engaged by Fandom, the world's largest fan platform and number one source for in depth information on pop culture, entertainment and gaming to execute comprehensive publicity efforts for increased brand awareness and overall business growth. For context, Fandom is an entertainment and gaming juggernaut reaching more than 315 million unique visitors each month, across 250,000 fan powered communities with 30 million pages of content to get 30 billion page views per year.

Moving along to Be Social, Dolphin's influencer marketing group. Be Social launched its Showroom concept, hosting a two-day summer showroom in West Hollywood. Participating brands included Bondi Sands, EyeBuyDirect, MATE The Label, and Peach and Lily, among many others, with key creators in the beauty, fashion, and lifestyle spaces in attendance. Those who follow our company closely know that I'm a big fan of this initiative and I've been asked how influencer showrooms work. Well, the model of the showroom concept is pretty simple. Brands pay a fee to be included in the showroom and work with Be Social on selecting products that are carefully tailored towards the influencers attending. From there, Be Social handles all event production in addition to spearheading influencer outreach. Be Social uses their own in-house roster of talent, along with their team's long standing influencer relationships, to drive

traffic to the event. Influencers are gifted the products from each participating brand during the event and then Be Social monitors all social coverage secured from the event for a full month, sending each brand a tailored report outlining all social placements secured for their products, as a result of the event. Hopefully that helps provide context for the showroom concept. We intend to scale in 2022.

Next up Viewpoint Creative, Dolphin's respected creative relations agency and video production boutique. Viewpoint joined forces with the Larry Firefighters Foundation to create and distribute content commemorating 9/11 and the 20 years since the attacks. More than attributed heroes who fell that day, the content recognized legacy firefighters who continue to struggle with the fallout and how the FDNY has improved systems and processes based on the events of 9/11. We're always very proud and willing to highlight this type of work that Viewpoint does.

And last but not least, let's talk about The Door, our leading culinary, hospitality and lifestyle PR firm. The integrated marketing division at The Door is doing great work for their consumer products clients and the culinary and hospitality teams are fresh off promoting the New York City Wine and Food Festival last month. But truth be told, I save The Door for last in order to allow them to serve as a bridge into Dolphin 2.0, since Charlie, Lois and the entire door team are playing an essential part in both of the 2.0 initiatives we're going to talk about today.

So let's go let's talk about 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 very best at marketing pop culture. And we define what we call Dolphin 2.0 as using pop culture to market assets that we own. What type of assets do we want to own? Easy, ones where our expertise in marketing gives us the greatest likelihood of success, we want to own what we know we can market better than anybody else. That's why last month we announced a major Dolphin 2.0 initiative, the acquisition of an ownership stake in Midnight Theatre, a contemporary variety theater and restaurant that will anchor the \$4.5 billion development from Brookfield known as Manhattan West. Across Ninth Avenue from Moynihan Station to the east and across 10th Avenue from Hudson Yards to the west and only a short walk from the Javits Center, New York's preeminent dimension facility, we feel the Midnight Theatre is being built in the very best location in Manhattan.

Okay, so let's talk about the venue. The Midnight Theatre features three distinct experiences for the guests, the theater itself, a separate pan-Asian restaurant called Hidden Leaf, and a ground level cafe. Let's take the variety theatre first. It's an intimate luxury state-of-the-art 160 seat theater, which as the name implies, will have a rotating schedule of a wide variety of performances across music, comedy, Broadway and magic shows. The Midnight Theater also has built in live stream capabilities, allowing for events inside the theater to expand beyond into people's homes and corporate offices. The theater will be available to host live stream podcasts, comedy specials, music events, corporate keynote events and more.

Hidden Leaf is the modern pan-Asian restaurant concept on the second floor of the Midnight Theatre space led by renowned restaurants Josh Cohen. Many of you know several of Josh's Brooklyn hotspots, including the Italian mainstay Lilia, one of the most in-demand restaurants in all of New York City. For the midnight theater, Hidden Leaf will feature a 75-seat dining room,

20-seat private dining room, and a 40-seat lounge bar area. Hidden Leaf will be opened for lunch and dinner and will incorporate world-class food with interactive elements such as table side prep, wine consignments and memberships. And the bar is where you'll be able to find James Carbonara every Tuesday, Wednesday, Thursday and Friday nights.

For Dolphin, the Midnight Theatre is the most exciting live venue concept we have seen in a very long time. It will be a truly modern variety theater paired with fantastic restaurant, which is a combination that is missing in the cultural landscape today. It is in the final stages of construction and we expect to open by the end of the first quarter of next year. Dolphin will manage all aspects of publicity and marketing for the venue, both restaurant and theatre, as well as facilitate talent and commercial relationships within both the entertainment and culinary industries. As we look to own assets, wherein our specific marketing expertise will give us a greater likelihood of success, it is hard to imagine anything more in our wheelhouse than a world-class restaurant for The Door to publicize paired with a state-of-the-art variety theater that will program musical performances, Broadway cabaret, comedy acts, and magic shows, all of which Shore Fire and 42West currently promote. And of course, we'll be sure to have Be Social bring a steady stream of influencers as our guests and post about the great time they had afterwards.

Playing Dolphin's marketing strengths is what Dolphin 2.0 is all about which is also why we launched our NFTs business in 2021. I know many of you saw our big announcement this morning. Before we talk about that specifically, I'd like to take us back through the two key milestones in the past three months that positioned us to make today possible. First, our partnership with FTX US, which we announced in August. For any that need reminding, FTX is a leading cryptocurrency exchange and wallet provider with over 1 million active users and over \$10 billion of average trading volume per day. With access to FTX's platform and wallet services, we can now aggressively pursue our ambition to develop and program global NFT collections targeting all of Dolphin's verticals, including the sports, film, television, music, gaming, eSports, culinary, lifestyle and charity industries.

With the technical development well underway, we then turned our attention to the creative side of the coin and brought in award-winning visual designer Anthony Francisco a few weeks ago in the newly created post of Creative Director to develop and execute numerous NFC series involving original and existing IP. Anthony came to us from Marvel Studios, where he was the senior visual development artist responsible for designing iconic characters across the Marvel Cinematic Universe, such as Baby Groot, personal favorite of many of the Dolphin's, Loki and Dora Milaje, the female warriors in Black Panther. In short, we feel we won the lottery for NFT business of securing FTX as our technical partner and by bringing in Anthony Francisco as our creatively lead.

And together, that is what enabled us this morning to announce the launch of Creature Chronicles: Exiled Aliens, Dolphin's first generative NFT collection, which will feature 10,000 unique custom crafted avatars of an ancient race of aliens designed by Anthony Francisco. Each Exiled Alien avatar will fall into a specific alien hierarchy, assigned traits, and randomly generated. The collection is available for viewing today, right now, at [creaturechronicles.io](https://creaturechronicles.io) and is slated for minting in December.

Now we intend Creature Chronicles to be a multi-season NFT event. After the release of Exiled Aliens, the community and fan experiences will continue to evolve and grow while the storyline develops and new NFT drops are released during upcoming seasons. Dolphin will ensure that Exiled Aliens community members will enjoy a host of benefits, including limited edition NFTs, master classes with Anthony Francisco and friends, creative competitions with incredible prizes, private events, and future surprises, all leveraging Dolphin's world-class relationships across the creative community. Furthermore, holders of Exiled Aliens avatars will receive priority status for the purchase of future seasons of Creature Chronicles.

We are pricing each Exiled Alien at \$200, which includes both the NFT avatar and inclusion into the ongoing Creature Chronicles community with all the benefits I just mentioned. Users can purchase Exiled Aliens directly on site, through a simple registration process which establishes a proprietary FTX.US wallet for each user. The user's FTX.US wallet allows for payments to be made via credit and debit cards, as well as a wide variety of cryptocurrencies, including Sol, Ether and Bitcoin. The NFTs will be minted and stored on the Solana blockchain, a leading Proof of Stake blockchain that is recognized as faster, more efficient, lower cost and more environmentally friendly than its Proof of Work competitors, notably Ethereum.

So there it is, all of us at Dolphin are really excited to this day has come when we can share our very first NFT collection designed to launch our first community. We are obviously playing to the strengths of Anthony and he has delivered the graphic art within the Exiled Aliens collections absolutely breathtaking and no offense to the aliens but we don't believe there's a better visual artists in our shared universe than Anthony. We think this collection will appeal to the existing NFT enthusiast, while also serving as an entry point to those who are curious about NFTs and want to dip their toe in was something really cool from a world class designer. And quite frankly, we're excited to program for the community, which will allow us to play to our strengths, and offer benefits and access to the worlds of entertainment and pop culture that are simply unique in the marketplace today.

It is fun [ph] day, Midnight Theatre and Exiled Aliens in one conversation. We're extremely pleased with these first two Dolphin 2.0 initiatives. And hopefully today's conversation shared some context as to why they were chosen to lead Dolphin to this new era of ownership of assets that we are marketing. Any Dolphin 2.0 opportunity is judged by its ability in success to serve as a major catalyst for our company. We feel these first two certainly have tremendous growth potential with Midnight Theatre's possibility to expand into other cities and with our plan to launch NFT collections across all the industries that Dolphin companies currently market. By the time we jump on the earnings call for 10-K, we would hope to have Midnight Theatre open and everyone on this call scheduling their first visit and one or two more NFT collections launched and community activities for all of them well underway.

And we're not stopping. We have more 2.0 initiatives in the final stages of closing that we anticipate announcing before the end of the year. Our Dolphin flywheel is turning and momentum is helping us to gain speed. We feel that our marketing companies are the very best in their respective industries. By frankly, I think that's almost impossible to argue and there's no shortage of attractive partners and opportunities for us. The 2.0 pipeline is strong for NFT and

non-NFT opportunities alike and we will pursue those firsts that we believe will create the most shareholder value.

In closing, I would like to remind everyone that these 2.0 investments are on top of a growing 1.0 business that has led to record revenues for three quarters in a row, including 70% year-over-year revenue growth here in the third quarter, two consecutive quarters of positive operating income, even after the non-cash expenses of depreciation and amortization from our acquisitions, and a record level of cash on hand, over \$12 million, in fact, which is approximately 3 million more than all remaining debt combined, including the long-term debt. We are profitable and growing with a beautiful balance sheet and now we are launching Dolphin 2.0 in earnest. These are the days that we've been dreaming of since we uploaded it to NASDAQ almost four years ago and began assembling the Super Group.

Thank you for joining us. 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 quarter ended September 30, 2021. Revenue for the quarter ended September 30, 2021 was approximately \$9.4 million, compared to approximately \$5.5 million in the quarter ended September 30, 2020.

Overall operating expenses for the third quarter of 2021 were approximately \$9.4 million, compared to approximately \$6 million in the quarter -- in the third quarter of 2020. Operating expenses are composed of direct costs; payroll and benefits; selling, general and administrative costs; depreciation and amortization; and legal and professional fees. Direct costs for the third quarter of 2021 were approximately \$992,000 compared to approximately \$575,000 in the same period of the prior year. Payroll costs were approximately \$5.9 million in the third quarter of 2021, compared to approximately \$3.6 million in the third quarter of 2020. Selling, general and administrative expenses for the third quarter of 2021 were approximately \$1.5 million, compared to approximately \$950,000 in the third quarter of 2020. Legal and professional fees were approximately \$499,000 in the third quarter of 2021 compared to approximately \$373,000 in the third quarter of 2020.

Operating income for the quarter ended September 30, 2021 of approximately \$38,000 included non-cash items from depreciation and amortization of approximately \$475,000 as compared to an operating loss of approximately \$493,000, which included non-cash items from depreciation and amortization of approximately \$514,000 for the same period in the prior year. Net income for the quarter ended September 30, 2021 was approximately \$142,000 compared to a net loss of approximately \$138,000 for the quarter ended September 30, 2020.

For the three months ended September 30, 2021, we had basic and fully diluted earnings per share of \$0.02 per share based on 7,740,085 weighted average shares outstanding. For the three months ended September 30, 2020, we had basic loss per share of \$0.02 per share, based on 6,676,405 weighted average shares and fully diluted loss per share of \$0.04 per share based on 6,912,011 weighted average shares outstanding. Cash and cash equivalents were \$12.7 million,

as of September 30, 2021, compared to \$7.9 million, as of December 31, 2020, not including restricted cash of approximately \$542,000 and \$714,000 in each period, respectively.

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

### **Operator**

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

**Q:** Good afternoon. Congratulations on a strong quarter. I wanted to start off with the NFTs. It really seems like you've put a business together now that this could have an impact next year. How do you think about kind of -- is there a way to think about like how the opportunity is here? Thank you,

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

Sure. Well, thank you, Allen. Thanks for the kind words. Yes, we're thrilled with the progress, even since Q2 on the numbers just getting stronger. NFTs, yeah, it's an exciting business. I think we really wanted this announcement before we did our earnings call to be able to talk about and let people go check out. I mean, it's up in there today to see what we've been building on the technological side with FTX to allow us to sell directly on our own sites, each branded site if you will, and be able to take credit cards, as well as every form of crypto, not just the single form on the blockchain that we're using. We're thrilled that it's Solana. We think Solana has so many advantages and its speed and environmentally friendly are two big ones for us but we're excited for today.

In terms of scaling, you can see that this type of product is very exciting for us, the idea of a community-based NFC system, sell 10,000 memberships, if you will, and get a whole bunch of cool stuff. We think that plays to our strengths. We can program the cool stuff part. If you're interested in animation, graphic design, who better than somebody like an Anthony Francisco to do master-classes with to program around? Imagine if we did special screenings of any of the movies that Anthony has worked on and he talked to you behind the scenes, what he did for them and some of the story decisions. Imagine sweepstakes and prizes that result in all expense paid trips to Comic Con, where we have teams of people that every summer. You can imagine we go to other verticals, whether it's music, movies, television, sports, what we can do, we're already at the Grammys, the Emmys, the Oscars, the Super Bowl.

I think we think of the NFT business as community based. And I think if you talk to people on the inside, I'm talking to blockchains, the competitive marketplaces, etc, how long, pure art for art's sake will last is an open question. But the few -- everyone agrees that the future of NFTs is in utility, that the NFT allows you to do something or receive something. And I think that's exactly why we built what we've built and where we just quite frankly, feel we have tremendous advantages. An entertainment-related NFT community, we have access to and can program better than anybody and so that's what we're excited to roll out to the market.



And along the way, by the way, our art is going to look really, really cool, because we have Anthony. And so that's what we're launching today. And then the question after this initial launch will be the frequency and the speed that we can get the other verticals up and running. But as we get into the first half of next year, all the major verticals, we would have wanted -- we will have wanted to have launched. So we're in it for the long haul but we're excited to start in each of the verticals that we already have expertise in.

**Q:** Is it reasonable to think that the NFT products should be a high margin product? To me, it seems that way to me but could you explain it?

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

Sure. And if I could, as I was trying to say in our numbers, this really is illustrative of what we hope is considered a better mousetrap by the market. I mean, we have the optionality and a huge catalyst in NFT's, right. I would argue that NFTs to Dolphin represent the potential upside or more of many of the highest return investments out there from biotech or wherever else, if they work. Well, we feel our catalyst is as good as anybody else's but we're profitable along the way. We've been building this technology and our ability to offer this product to market and have been EBITDA positive in both the second and third quarters. So therefore, I should pretty much tell you what the margin can be.

You know, obviously, people have already received numerous calls today people see the quick math 10,000 avatars at \$200 each, it's a \$2 million product. And you're starting a community and so that means you can engage with our community every week, daily, hourly on social media. But -- and then as we -- this product was designed to be an event, multi-season event. So you're going to have more drops, more contests and sweepstakes and that's what allows you to, to build and sustain this community that will have future drops in the future. So you might have another \$2 million product four, six months from now and etc, etc. So it scales very quickly. And then of course, once we have multiple verticals going, imagine a product in music, one in film, one in sports, one in charity, one in culinary, one in gaming; right now that's up to six and you start cross selling with each other. So you cross pollinate your communities and of course, you can have more than one community inside each vertical.

I mean, music itself, you're not going to have one music community, you'll have multiple for different types of music, right. So it's an exciting world for us and we needed the robustness, if I just coined the term, I'm not sure, of FTX in their wallet, to allow for both the acceptance of credit cards, the speed, the strength of being able to build on the blockchain for that volume of an offering, globally. So, some of our programs, including Anthony's are going to appeal to an international audience very much. Aliens, no national boundaries, right, so it's an exciting day and I think it opens a glimpse to those who are interested in Dolphin for our NFT capabilities to really get a sense of what we can accomplish.

**Q:** And just to confirm that I understand that NFT market, right. You have the potential -- is it true that you have the potential to get recurring revenue, if you're the creator of an NFT because every time there's a secondary sale, can you get a piece of that?

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

Yeah and thank you. I'm sorry. Go back to your previous question, I'll answer in three parts with the new question with that.

Q: Sorry.

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

My fault. It's a very high margin business because especially Exiled Aliens because this is an internal Dolphin developed property. We own 100% of it and it's exciting for us to launch with that, and to show our creative chops. And why we took the time to build an entire storyline around it, there's a saga here that that fans are going to want to be a part of, and imagine receiving issue number one of one of the classic DC or Marvel Comics, right. If you're a collector, you're going to want to collect all ten episodes and that's exciting for us. That's what I mean by future NFT drops.

But secondly yes, we have potential for recurring revenue in a couple of ways; one, are those future drops to the same community. We haven't decided on the number of episodes of Exiled Aliens but whatever number it might be, as we're refining that now, those are -- that's revenue, you can go to the same community and give them added value along the way. And secondly, each NFT that we sell, if it resells in the open market, because new people want to be part of the community, or certainly these NFTs are going to be very rare and valuable from moment number one, then yes, as they resell Dolphin keep 7.5% of the revenue in perpetuity across all sales.

Q: Thank you. If I look at some of your Dolphin 1.0 businesses, they should all be benefiting from post-pandemic recovery. And I was wondering if you could kind of give us a sense of kind of what inning we are in the recovery for some of these. I know for example like Live Nation, on their third quarter call, I think they said that there's some their tickets for major festivals were selling out and overall sales were up 10% versus 2019, which is pretty amazing. So, I'm just hearing for yourself, how you're thinking about where you are in the recovery and the potential just in some of the areas just to getting back to kind of where you were.

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

Sure. Yeah, this growth has been accomplished without a full recovery. We've had some recovery which is great and it's only going to -- it's continuing to build momentum but the two big areas, motion pictures have started to come back in theaters, which is great. Obviously we had James Bond earlier this month, [indiscernible] before it, we have some others coming up. But it's still not where it was. We expect the motion picture business will be and hope that it will be where it was by second quarter of next year and it's growing up until that point. The one that's still out there that hasn't recovered yet is the restaurant business. There's their sign of shoots coming up from out of the ground, trickling in, but that's going to be a nice recovery play for us in 2022. I don't know if its first quarter, if it's going to take till the spring, but that'll

meaningfully impact our numbers. This revenue growth has been accomplished without that business being back.

And by the way, that's really a tribute to our subs. I really included that line. Yes, we're up 70% year-over-year, that's 41% organic growth from the existing subs, that's tremendous growth. And we have more to go as we get both the recovery play, but then also, as longtime fans of the stock, the companies are just getting stronger and stronger at cross selling with each other. We have more and more joint projects. You'll joke I made when we had 42West alone in the group three years ago, well as you can't cross sell with yourself. But now you're up to six companies and you know this Dolphin 1.0 is only going to continue to grow because we can cross and recover. So it's exciting times. I mean, we've gone from seven point something to eight point something to nine point something in successive quarters of record revenue, so that's got to say something to somebody.

**Q:** And Be Social, it's kind of fascinating how that can kind of touch everything. How do you think about kind of how that expands next year?

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

Well, it's funny you say that, Allen, because, yeah, and those who remember from the Q2 of 2020 remember, the joke we made then was the holidays came early, when Be Social joined the group because every one of our market leading PR firms wanted a sister company that was great at influencer marketing. For Dolphin 1.0 that's -- I'm not going to under-emphasize adding Be Social to the group and what it's meant. But for Dolphin 2.0, as we talk about touching everything, as I highlighted, I mean, Midnight Theatre, yep, they can use Be Social, both for the restaurant and theater. Influencer marketing campaigns are marketing 101 today for any restaurant opening as The Door or hotel opening but then also with NFT's.

I mean, how do you get the word out and online about a new offering and I think the fact that a strong influencer marketing campaign, as we go forward and go into 2022, we're certainly looking for engaging Be Social on a consistent basis to help with these launches because they bring a lot of the word of mouth and a lot of the cool factor to it. So Be Social is a very important and strategic part of our company, and it couldn't be nicer people and a nice cocktail event with them last Thursday in Los Angeles, and yeah, we feel very lucky that Be Social is inside the Dolphin family.

**Q:** That's great. In terms of Midnight Theatre, will there be a point next year where we can get a sense of what the contribution could be? I know, it's too early now but --

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

Yeah, I think so. As we get to opening, we're going to have a lot of metrics for that. We're very confident in that investment. We think it's going to do very well and it has a lot of room for growth I can get to in a second, but we'll have some metrics, probably by the time we speak on the K call, because we'll have -- with a theater, you have advanced ticket sales. We'll know pre-opening numbers, we will probably know our post-opening numbers, we'll have a sense of how

it does. And if I could -- or how it's doing, I think the aspect of the variety theater is really cool and I think it may -- the advantages of that may be missed by the casual investor. A true -- a classic, let's call, Broadway Theater rides entirely on whichever shows in the theater. So if you're the Richard Rogers and you got Hamilton, you're feeling great, but if you don't that's riskier, it's an all or nothing proposition.

For a variety theater, you have a variety of acts and you have a variety of different audiences that you can bring in because of those acts and something like an intimate 160 seat theater, that's not a lot of seats. To fill that theater and you don't need to fill it to be profitable. But to sell tickets there, you're not -- it's not a heavy lift. A variety theater gives you a broad, broad audience to go after, there's something literally for everyone over a short period of time. The challenge of variety theaters, you say, well, why doesn't everybody do a variety theater, there's a shortage of that. Because there's two challenges, you have to be able to program it, you got to be able to market all those different acts. Well, that's where one plus one hopefully equals 11.

What do we have the ability to do? We have the ability to market all those different acts. We already do from a wide variety of musical, look at Shore Fire, it's the biggest and most expensive music PR firm in the world. The types of acts that Shore Fire has in the roster, they have every genre of music. It's not just pop, it's rock, it's jazz, it's R&B, it's classic, it's everything and many of those acts are played in Midnight Theatre. So you get a double win of both marketing and helping the program. And so as I mentioned in the prepared remarks, whether it's comedy, whether it's Broadway cabarets, whether it's magic, we already promote. One of our PR agencies already promotes those individual types of acts. So we have that expertise and if you can market it, then you've eliminated what's usually the challenge, and you're left with what's usually the positive.

And then of course, every one of those acts are new audiences to the restaurant, and new audiences you can market to in the future. And you get all that data of what programs, well jazz, does it work and does it work on Tuesdays, Thursdays, Saturdays, etc and you and you get smarter and smarter with each passing month. So yeah, it's exciting and then, of course, for the upside, you have this great venue, in this gorgeous location. I mean, for those who aren't familiar with Manhattan West that live in New York, you should really check it out. I mean, it's brand new in \$4.5 billion city block, right. But there's no reason why in success, you can't take that concept to other cities and then the scaling of those economics is just gorgeous, whether it's Los Angeles, whether it's London, whether it's Nashville, whether it's Miami. I mean, when we talked about catalyst, New York alone would be a catalyst to a company our size, you start scaling, it's a whole different ballgame. So, that's why Midnight Theatre was extremely attractive to us.

**Q:** Okay. My last question, it is somewhat financial. How do you feel about your expense structure now, staffing and whatever tech spending, relative to your revenue growth? Do you think that there's operating leverage at this point in the business model?

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

I think so. We are staffed preparing for this day, right. So we were close to full staffing needed to really would be able to expand the NFT business, I assume that's all but most people want to talk about. Past this one collection into a series of collections, we'll want to add one or two more people in that division, but bulk of what we needed we have in-house now, so that's exciting for us. And to your original question on the NFT business, it's not only a high margin business in success, it's the highest margin business we have. So, it's a -- I would hope it will be a meaningful contributor in 2022. Excuse me.

**Q:** That's great. Thank you so much. Sure.

**Operator**

I'd now like to turn the floor back to Bill O'Dowd, CEO of Dolphin Entertainment, for closing remarks.

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

Oh, man, I was so sure I was going to get more questions this time. Well, thank you, everybody and to that last point on Allen's question, I should also say, that's also why you saw we managed ourselves to the to the EBITDA positive, operating income positive, even while we're staffing up and investing, which is really fantastic.

So thank you, everybody, for the time today. Hope everybody has a great holiday season. I know we'll speak again in 2022, hopefully, sooner than even the 10-K call, we'll look for an opportunity to do so. But in the meantime, I think you could be looking for a couple of more announcements from us before the end of the year, and we're excited for what this call represents with our first two 2.0 initiatives in market. And if you're looking for something to do when springtime rolls around in New York, come to the Hidden Leaf and have a drink with James Carbonara. Thanks, everybody. Talk to you later.

**Operator**

Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.