

Transcript of
Dolphin Entertainment, Inc.
First Quarter 2024 Earnings Call
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Participants

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Analysts

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Presentation

Operator

Good day, ladies and gentlemen and welcome to the Dolphin Entertainment First Quarter 2024 Earnings Call. At this time, all participants are on a listen-only mode, and the floor will be open for questions and comments following the presentation. Please note, this call is being recorded.

It is now my pleasure to turn the floor over to your host, Mr. James Carbonara, Investor Relations. Sir, the floor is yours.

James Carbonara - Hayden IR, Investor Relations

Thank you, operator. Good afternoon, everyone and thank you for joining us today for Dolphin Entertainment's first quarter 2024 earnings call.

Before we begin, I'd like to remind everyone that during the course of this conference call, management may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements are based on management's current expectations and beliefs and involve risks and uncertainties that could differ materially from actual events. Please refer to the cautionary text regarding forward-looking statements contained in the earnings release published earlier today, as well as the most the recent SEC filings and reports.

During the call today, management will also discuss non-GAAP financial measures, including adjusted operating income or loss. The company believes these will provide helpful information for investors. Reconciliations to the most comparable GAAP measures are provided in the earnings release.

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

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

Thanks, James and welcome everyone. I'll start by reviewing some of the key financial and operating highlights from our record setting first quarter of 2024, and then Mirta will provide a more detailed financial overview before we open it up for Q&A.

Starting with the headlines. Well, as you may have seen in our earnings release of a few minutes ago, total revenue for Q1 was \$15.2 million, increasing 54% compared to Q1 last year, and which was also a significant increase of 27% over our previous quarterly revenue record of \$12 million established one quarter earlier in Q4 of 2023.

On the bottom line, we delivered positive adjusted operating income of \$1 million. For those unfamiliar, adjusted operating income strips out non-cash and non-recurring items and is the primary metric we used to evaluate our performance. Reporting positive adjusted operating income is tremendously gratifying and validates the success of our strategy, especially compared to the \$1.9 million adjusted operating loss in Q1 of 2023.

Our positive adjusted operating income of \$1 million also represents another significant sequential increase of 236% over the positive operating income of \$0.3 million we reported for Q4 of 2023. By concentrating on organic expansion among our top tier marketing entities and launching complementary ventures at a steady pace, we believe we are strategically positioned for sustained growth in both revenue generation and adjusted operating income, the crucial financial metric against which we gauge our performances I said earlier.

We believe that this accelerating growth we've reported today highlights the powerful combo of our industry-leading marketing and publicity services firms firing on all cylinders, coupled with tangible payoff as we begin to commercialize our premium content ventures, with Blue Angel simply being the first venture to monetize and have an exponential impact on our financial results.

Now that our full group of marketing companies has been assembled with the acquisition of Special Projects last October and we are developing Ventures opportunities in earnest, we expect the Amplifying Impact will grow significantly as the Dolphin Ventures portfolio expands. We believe this strategy will unlock compounding returns and continuous value creation by sustainably getting paid for services, while accumulating equity stakes, many times without any capital required from Dolphin.

But before getting into Ventures, we'll start with some subsidiary highlights. At 42West, the movie promotion teams help secure four Oscar wins for clients, including Best Animated Film for the Boy and the Heron, and Best Visual Effects for Godzilla Minus One. They drove massive buzz and box office returns throughout the valuable awards season corridor.

Meanwhile, Shore Fire Media continued its Grammy dominance, representing clients who won a collective nine Grammys and over two dozen total nominations, spanning genres like Pop, R&B, Jazz and more. Both firms played pivotal roles, supporting marquee clients at leading film festivals like South by Southwest and event shows like the Golden Globes.

The Door also supported clients of South by Southwest, including Giada De Laurentiis, the Emmy Award winning television personality, New York Times' best-selling cookbook author, restaurateur and entrepreneur, and promotion of her Italian lifestyle brand, Giadzy.

The Digital Department, our specialized influencer marketing division, made two strategic moves to expand their capabilities. First, they inked a deal with GlowLab and Founder, Susan Yara to create a new skincare and dermatology influencer practice. Secondly, they partnered with legendary youth talent agency Osbrink to establish a Young Adult division focused on Gen Z and Gen Alpha influencers across TikTok and YouTube.

Finally, Special Projects continue the strong momentum, collaborating with luxury brands like CHANEL, Gucci and Valentino on product launches and fashion week activations. Also, they had another extremely busy Oscar season, running five significant events during Oscar's Week, including separate events for such blue chip clients as Apple, Versace and W Magazine.

Shifting gears, I'll now provide updates on some of our ventures. As a reminder for those new to the Dolphin story, Ventures will provide us ownership stakes and assets, wherein our form of marketing can provide the greatest influence on the likelihood of success. Namely content creation, consumer products and live experiences. Notably, it's worth repeating that we anticipate Dolphin securing ownership stakes in many of these endeavors without the necessity of a cash outlet.

Okay, it's a big week at Dolphin on multiple ventures fronts. Let's start with our flagship Blue Angels documentary. We are incredibly excited for the film's upcoming theatrical debut in IMAX theaters this weekend. The marketing campaign is in full swing with the exclusive trailer premiere on the Today Show generating massive buzz and wedding audience appetite. Blue Angels has already delivered a substantial financial contribution in Q1.

During the quarter, we monetized a significant portion of the streaming distribution rights, generating \$3.4 million in revenue. The film will become available for streaming on Amazon Prime starting May 23rd, perfectly timed to capitalize on the Memorial Day viewing period, which, by the way, is the same weekend that Top Gun Maverick was released two years ago, starring our client, Tom Cruise.

And there's another tie between the two films. Glenn Powell, who's about as hot as any actor in Hollywood right now, ain't that the truth, played Hangman in Top Gun Maverick and is also a producer with us on Blue Angels, which certainly helps with the promotion. Oh, and by the way, Blue Angels is a perfect example of a venture driving business back to our super group, since 42West is handling the PR for the movie.

Importantly, in addition to the traditional theatrical window, Blue Angels represents an annuity revenue stream from its extended run in institutional IMAX theaters at museums, science centers and other educational venues around the globe. This institutional theater distribution channel provides a lucrative multi-year box office tail. So that's coming this Friday.

What's that? This Friday is too far away for some of you on this call. You can't wait three days for a catalyst at Dolphin? What are you, James Carbonara? The week of his birthday? Okay, okay, okay. Well, today, like right now fast enough for you? Because consumers can now place pre-orders for Staple Gin on the official website and shipments are available starting, you guessed it, right now, today to 43 states.

In addition to the online launch, Staple Gin is making its way across the State of New York, being introduced in retail stores, bars and restaurants. As a matter of fact, Charlie Dougiello, who is leading the charge for Dolphin in this venture, just spotted Staple Gin at Union Square Wine & Spirits not even two hours ago.

And again, for those new to the Dolphin story, Staple Gin is a new spirit developed by the team at The Door and our client, Rachel Ray, and crafted in New York's Catskills region by Do Good Spirits. Dolphin is partnered with Rachael Ray and Do Good Spirits, whereby Dolphin is the official creative marketing partner. And let me just say, Rachel has really knocked this one out of the park.

Staple Gin has already gained recognition, being ranked as the highest-rated American gin in VinePair's 30 Best Gins for 2024 Guide with an impressive rating of 94 points. Please remember folks, this gin was rated the 4 going to market and it received the highest score given by an industry heavyweight publication. That is an incredible result. Oh, and that's all with its retail price point suggested as only \$39.99. Needless to say, this gin has caught the attention of gin enthusiasts and has been praised for its clarity of aromas and flavors.

The partnership between Dolphin and Staple Gin signifies a strong alliance between the entertainment marketing industry and the world of spirits. We believe that our collaboration will elevate the brand and bring Staple Gin to a wider audience through innovative and creative marketing strategies. The enthusiasm for monetization in the liquor space has been palpable, driven by the remarkable success stories of celebrity-backed spirit brands like Ryan Reynolds' Aviation Gin and George Clooney's Tequila Casamigos.

These high profile exits have demonstrated the immense potential for substantial returns on investment and have fueled excitement and interest in the industry. Investors and entrepreneurs are eager to capitalize on the growing demand for unique and premium spirits, making the liquor space an enticing landscape for lucrative exits. We believe this is an exciting new area of growth for Dolphin and we are well positioned to create significant value for our shareholders through our marketing expertise and innovative deal structure. We have incredibly high hopes for Staple Gin, as you can imagine. Fingers crossed that we've got a hit on our hands.

And finally, in talking about our ventures, I would like to say a few brief words about Mastercard Midnight Theatre. As you heard me say on our Q4 earnings call just a few weeks ago, we have narrowed down all of our choices for a new operating partner for the restaurant and theater to a favorite group. We are in the final stages of working on that deal and anticipate we can make an announcement within the month of May. That will be an equally exciting piece of news for us.

So how's that for the anticipation of three major ventures milestones, all in one month. To recap, Q1 2024 achieved record setting financial results, while making meaningful strides in monetizing our equity ventures. Moreover, those results are just beginning. Going forward, as we secure equity ownership in an increasing number of new ventures, we believe the growth potential becomes exponential.

As we seek to enter multiple ventures opportunities in the next two to three years, this unique model allows us to rapidly scale a portfolio of equity-owned opportunities with minimal cash investments required, which is to say that while we believe that today's results validate our strategy, we are really just getting started. Envision the Amplifying Impact on our top and bottom lines, as our Ventures portfolio expands to include a dozen or more ownership stakes using this low-cost approach. Simply put, and in one sentence, we believe that our ability to sustainably replicate this strategy unlocks a future of compounding returns and value creation.

With that said, let me turn it over to Mirta to review the quarter's financial details. Mirta?

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Thank you, Bill and good afternoon, everyone. I'll start by echoing Bill's comments, we are extremely pleased with our record first quarter financial performance. I'll now dive into Q1 2024 financial results in more detail.

Total revenue of \$15.2 million represents a 54% increase from \$9.9 million of revenue in Q1 2023. During the first quarter of 2024, we generated \$3.4 million of revenue from the Blue Angels.

Operating expenses for the three months ended March 31st, 2024 were \$15.1 million, including approximately \$600,000 of depreciation and amortization, and \$1.8 million of amortization of capitalized production costs related to the Blue Angels, compared to \$12.5 million of operating expenses for the three months ended March 31st, 2023, including approximately \$500,000 of depreciation and amortization.

Net loss for the quarter ended March 31st, 2024 was approximately \$300,000 and includes approximately \$600,000 of depreciation and amortization, and \$1.8 million of amortization of capitalized production costs related to the Blue Angels and \$500,000 of interest expense. This compares to the net loss of \$3 million for the same period in 2023, which includes approximately \$500,000 of depreciation and amortization, \$400,000 of interest expense and \$100,000 of equity losses in unconsolidated affiliates.

Loss per share was \$0.02 per share based on 18,477,825 weighted average shares outstanding for basic loss per share and 18,605,702 weighted average shares for fully diluted loss per share for the three months ended March 31st, 2024. For the three months ended March 31st, 2023, loss per share was \$0.23 based on 12,640,285 weighted average shares outstanding for both basic and fully diluted loss per share.

Cash and cash equivalents were \$7.5 million as of March 31st, 2024, compared to \$7.6 million as of December 31st, 2023. That concludes my financial remarks. I will now ask the operator to open the phone line for questions. Operator, would you please poll for questions?

Operator

Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Thank you. We have a question from Allen Klee with Maxim Group. Your line is live.

Q: Yes, hi. Congratulations on a very strong quarter. That handling beat my estimates. A couple of questions on – starting with Blue Angels. You said that it added \$3.4 million of revenues. I missed what you said about what the production costs were. But could you give just based on the contractual amount that you're expected to get, what's the incremental amount that you can get and the cost that you would expect in the next quarter or two?

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

Sure –

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

So –

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

And thank you, Allen. Thank you for the kind words at the start of this. Yeah, we're very proud of this quarter. It feels great, right. In terms of Blue Angels, I think the next couple of quarters, we may not add revenue or much revenue and much expenses, but where we really kick in is, when we can put the film in theaters, IMAX institutional theaters, which we can contractually do six months after its – it premieres on Amazon Prime, then we'll get more revenue and allocate more of the production costs against that revenue in a bigger way.

Obviously, we still have revenue from – there will be revenue generated from theaters this weekend and next week. But we see the big value and the additional revenue for years to come, hopefully two decades to come from having this movie play in IMAX theaters around the globe, in science museums and aviation museums and the Smithsonian and other institutional theaters like that. And we'll continue to recognize that revenue each quarter as that money comes in.

Q: Are you able to say how many institutional theaters you're hoping or you are contracted with IMAX for?

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

Sure. Yeah, we think they'll be. This film will play in 150 to 200 of those theaters and hopefully in perpetuity. Of course, we're prejudiced, Allen, but this is a major motion picture documentary, right. It's going in big IMAX, going into Memorial Day. It looks great. I've seen it, of course, a few times now, and it's just a stunning documentary.

So if it's already best-in-class, we feel for a theatrical experience. You can imagine how it compares to the average science documentary in a museum. It's night and day and it's very

contemporary. It's very now. So we shot with IMAX cameras of today and not cameras of 20 years ago. So that weren't IMAX cameras. So we think it's going to have a very, very, very long tail, is my point.

Q: That's great. So if I – your revenue was – if I take your revenue, which was \$15.2 million, and if I take out –

Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.
Blue Angels?

Q: Blue Angels. Yeah. You were still. It was still like \$11.8 million, which was above –

Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.
Yeah versus \$9.9 million a year before –

Q: Right, almost a year before. Whereas would you highlight was outperformance and maybe following-up –

Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.
You're saying versus your estimate, right, right –

Q: This is a quarter where, go ahead, sorry.

Bill O'Dowd - Chief Executive Officer, Dolphin Entertainment, Inc.
No, my apologies. I didn't mean to be speaking over you. But yeah, year-over-year we'd still be up over 20% or about 20%, I should say. So yeah, we just – it's all starting to come together, my friend, right. We got a full group. They're cross-selling.

I will point out in Q1, I'd give a special shout out to Amanda Lundberg in 42West, the movie division of that company had a very strong first quarter with all the Oscar Awards and campaigns they were running. That can be a lucrative business. We're proud to have Martin Scorsese, our client filmed Killers of the Flower Moon, which obviously did not win the Oscar, but was nominated in a lot of categories.

And then the team and fandoms and franchises and the movie division team there again did a great job with Boy and the Heron, which won Best Animated Film. You heard that in my prepared remarks. That was an upset over the Spider-Man animation movie. And then Godzilla Minus One. I mean, that I think I pointed that out on the 10-K call.

I mean, that was just an unbelievable campaign they ran, which won for Best Visual Effects, considering that the entire budget of that movie was \$15 million in Japanese, a movie. And it won the Best VFX Oscar over competition, where the VFX budget alone was more than the entire movie for Godzilla Minus One.

So they just had a tremendous quarter. But great work's done across all these firms. They're market leaders for a reason. You also heard me highlight Special Projects. I mean, they're

running events at New York Fashion Week that five, six events in a week with blue chip clients. They're doing the same thing, Oscar's Week. When you got clients like Apple and Versace and W Magazine and other times of the year, they got the Motion Picture Academy and Wall Street Journal Conde Nast. I mean, these are very much blue chip clients and you're bringing the biggest celebrities in the world to these events. So they had a very strong first quarter, especially during those two weeks.

Q: Thank you. So the Digital Department, which is social influencing, is, I think 4Q is the strongest, but then maybe it usually drops off in 1Q. But you've added these two new verticals, Skincare and Young Adult. And I'm wondering maybe how that – how you think about those two new areas of how meaningful they could potentially be?

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

Sure. Yeah. I mean, we chose those two and we've got a third one coming, Allen. I know you believe we would, right. But because they can have big impact, right. I'll give Susan Yara and Olivia, who runs that division for us now, a lot of credit, because that was an existing business. So they kind of plug and played into our platform and immediately day one created revenue and profit and it really was kind of brand adjacent.

We're very strong in female Instagram, a full roster of influencers there. Skincare tends to skew female, both in the influencers themselves and the followers. Instagram heavy content along with some YouTube and some TikTok. But they could just go right in and play well, because they were an existing group of 15 influencers already that were being managed. And we just brought in the manager and the influencers. So they had an immediate impact.

And in time, that group is nearing the biggest vertical we have anyway. But there's very large room for expansion, because we're talking about, we could probably double the size of the skincare group by itself. But then you can get into the other verticals of beauty, right. So big, \$100 billion plus beauty market out there. That includes cosmetics, that includes hair care, which might be the biggest category of all, Allen.

And why did I just blank on the other one? But it'll come back to me in a second. But the – so each of those verticals is as big as skincare. So this has a lot of room to run. And bringing in a premier group like that establishes us as a major player right away.

And then in the Young Adult business, why we partnered with Osbrink is because it probably shaved half the time off what it would take us to build it by ourselves. I mean, Osbrink is just the biggest group in young talent. And while we're building the relationship with brands that want to work with young talent, we have a great roster of young talent to work with.

So, GlowLab came in with their own brands that are already doing business with them and their dermatologists. We're building that in the Young Adult space. But when we do, then I think probably everyone on the call has heard of influencers that are teenagers, that have been wildly successful from Kylie Jenner being the youngest billionaire listed on Forbes because of her cosmetics line. And Kylie Jenner is an influencer, right. She's not an actress. She's not a singer.

She's an influencer and down to college athletes or stars from the Disney Channel. So, that segment has tremendous potential as we build our relationship with the brands.

Q: That's great. Could you – for Staple Gin, can you talk a little? I think you said you're partnered with The Door, and they have their own – and there's another partner. Just kind of what's going on, on the marketing side and how you feel about that?

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

Sure. Yeah and what happened there, Charlie Dougiello and the team at The Door, they really developed this product with Rachel. I think I may have shared in previous quarters, and if I haven't, please forgive me, but I've learned a lot in this process. And I learned that gin is made from a recipe, for example.

And what better liquor to start, a consumer products category for us than one in which we have, we think, the most popular chef in America, Rachel Ray. She's beloved by tens of millions of Americans, right. She's been on Daytime Talk Shows and 30 Minute Meals for going on 20 years, I guess, and just signed a huge deal with A+E Networks for hundreds of hours of programming a year.

So if you talk about somebody that's authentic to writing a recipe, Rachael Ray, is it? So she wrote the recipe for Staple Gin and then is writing recipes to cook with the Staple Gin, right. But God bless her, she kind of crushed it coming out of the gate because those rankings from VinePair, again, I – Charlie was very bold to submit it. You're submitting a gin that isn't in the market and for it to get the highest score.

And in fairness, there were a couple other gins that tied it for the highest score. But that's just incredible. And it's a tribute to Rachel really took her time and worked to get the flavor exactly as she wanted it. And a really cool twist. Many people know Rachel lives in upstate New York. She also has a home. She spends virtually as much time in Italy, and she married the ingredients for Staple Gin come from those two regions.

So when the team was looking for the right distillery, they picked Do Good, which is a distillery in upstate New York, where Rachel lives when she's in America. And that local distillery took the recipe and ran with it, and here we are. Now you can go buy yourself a bottle, Allen, up there in Manhattan.

Q: That's great. How do you feel about the ability of manufacturing and distribution and where will it be in the retail in New York?

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

Sure. Yeah. Well, we'll have now. And I think a lot of investors are particularly excited about this because, quite frankly, this isn't speculative. This isn't an industry where like, oh, if you do well, can you exit? Like these are products that are built to exit, right. So, there are dozens of examples in the last ten years of successful exits.

And The Door, quite frankly, has promoted their fair share of those products that were conceived while they were the marketing partner and sold while they were the marketing partner. So, it's a process that our team is familiar with. With that said, we'll have a regular cadence of announcements, because probably the next thing that you'll hear from us on this is the announcement of the national distribution partner.

I think people that follow Rachel and follow the liquor industry probably have a very strong guess as to who that partner is based on previous relationships. But still, that'll be a nice big announcement for us. We think in the near-term, next few weeks, that'll be a partner that can put the gin on a national scale right away.

In New York, that – same partner is putting it out in, that's the work that's happening now, putting it out in what will become hundreds of Doors in the State of New York. As I was saying, Charlie was just down in Union Square, visited three stores, he told me earlier today, and two of them were already carrying Staple Gin, which is great. Now, it usually comes in cycles, right. Like some stores, you get the order to place the bottle on their shelves, but they don't swap out their shelves for four weeks or six weeks. So it's kind of a rolling start, if you will.

But we'll be announcing our distributor. We'll be announcing the number of Doors probably in New York, or certainly the widespread nature in New York. And then with success, we'll be opening up other markets around the country. And when people start seeing that, that's your clue that we're getting to scale where interested parties want to buy the brand, because it's already got traction in the marketplace. And these exits are not small, as you heard.

Ryan Reynolds sold his gin for \$610 million, I believe. And we all know what Clooney did with Cosamigos and his billion dollar check. And the Rock is going to beat them both, by all accounts, with his tequila. So and there are a lot of other examples that are between \$100 million and \$500 million. So, we're excited for this and it's the start of a whole portfolio of these types of liquor brands for us, we think. So we're excited.

Q: That's great. If I look at your different companies that you own and the divisions, I think I heard you say that your movies and acting was strong and you were strong within Blue Angels. As we think just seasonally, is there any reason to think that any of the segments might show some seasonality in the next two quarters compared to this quarter? Or do you think it is kind of like steady type of type of growth?

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

Well, the first half of the year is always never typically as strong as the second half of the year for us across most of our companies. That's just a fact we'll live with for the next 20 years, probably of our core business. Now, as we start doing these ventures, it's going to smooth that out a little bit, right.

As we – Imagine if we have half a dozen of these ventures. Sure, you can have great exits like we just had tremendous success out of the gate with Blue Angels. We've already made a handsome profit and the film isn't even in theaters yet, so that's a good result. But as we get steady income developing from the different ventures, and again, worth pointing out is, I think I

said twice in my prepared remarks, many of those we don't have to put up a penny. We receive the ownership stake for our group marketing and typically also receive some form of cash were taken out every month in addition to that.

But as we have those ventures coming in and it'll smooth out our revenue a little bit, but that's going to take a couple of years. We typically see second half of the year stronger. And in influencer marketing, that's always going to be the case. I don't know that we'll ever – just because it's not that the rest of the year is weak, particularly Q1 a little bit. But it's the fact that Q4 is so strong, because every brand wants to use influencers to drive holiday sales.

So, we will see some seasonality to that effect, but on an annual basis, which is also how we like to look at it, we feel very good about this year, both from a revenue standpoint and adjusted operating income, which is how we measure ourselves, as you heard me say, on that basis as well. And with Q1 off to such a strong start, it's hard to imagine we won't have a good year.

Q: Thank you. I have a financial question. If I look at what you did for operating expenses in 1Q, are there any areas that are overall you think we should think about that might go up or down as we go out – go through the year?

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Well, in the direct cost. Sorry?

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

Right, and I was going to say the same thing –

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Yeah, I would say is the direct cost, yeah, because those correlate with the revenues of the film. So, for instance, in this quarter, we've got \$3.4 million of revenue for Blue Angels and we have \$1.8 million of the amortization of the deferred production costs. So that number is going to vary depending on the revenues that we recognized.

Q: That amortization of deferred – of the deferred cost, that happens over what time period?

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Over the time period that we expect the revenues to be recorded. So it's a – it's based on a ratio of the revenue that you are reporting in this period over what you estimate the total revenues for the project are going to be. So whenever we report revenues, we apply that formula to what's left of the deferred production cost, and that's what gets expensed.

Q: Does this get added back to adjusted operating income?

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

No, we did not add that back.

Q: But it's a non-cash cost or it's a cost –

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

It's a cost that we –

Q: Or I guess, yeah.

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

You're correct, correct. We've reported in the past that we had invested over \$2 million in the project. So, that's already been paid for and it's capitalized in our balance sheet under capitalized production costs.

Q: Okay. So you had invested over \$2 million and you recognized \$1.48 million of the amortization this quarter and the rest of it will be over whatever the life is of the assumed life of the project.

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Correct. Whenever we report revenues.

Q: Okay, got it. Okay, just, so just let me wrap up on a couple other things. I'm thinking just in terms of how you're thinking about maybe, do you think this year you might potentially identify, the next Blue Angels type of partnership with IMAX? And then Special Projects, how do you think about like how that business is going to go going forward and just how you feel generically about additional ventures that you could make investments in, in '24?

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

Sure. Well, taking the middle question. Yeah, we love Special Projects. It's a beautiful little company. I say little, because it's eleven people between New York and LA, but they do the biggest events in our industry, right. They're the best at what they do in our entire industry.

And I've said it before, but Nicole Vecchiarelli and Andrea Oliveri are the model of executives that we hope to have within Dolphin. They're smart, they're strategic, they're good people. Just a lot of good things to say. So they also are going to have an increased role within Dolphin, because you heard me say that, when we think about Ventures, we think content like Blue Angels. We think consumer products like Staple Gin.

And the third category is, we think Live Events, Live Experiences. And while all of our marketing companies, all of our PR firms, the Digital Department, all have experience with live events, either promoting them or throwing them like the Digital Department does. This is what Special Projects does day in, day out.

So the strategic acquisition of Special Projects back in October was because they complement our core offering, our 1.0 by cross-selling very nicely with our existing clients, but also because they can help us ideate, develop and produce events that either we own or co-own. So I'm on the record of saying we expect to be able to announce our first one before the end of the year or very early in the New Year. But I feel pretty good about before the end of the year, and Special Projects will be right there as the reason why that happened. So that's Special Projects and why that was a strategic acquisition, of course.

In terms of the next Blue Angels. Well, if I'm being honest, I wish I could announce it today. That would have been the right time to do it. The week you have this one going in theaters, you want the next one out – next one announced, and it would have been great. This is Cannes Film Festival Week. We've had some pretty good years over the last couple of years. We have our client, Francis Ford Coppola, has got the Thursday Night Film in two nights over there. And, one of our other clients, Studio Ghibli, is getting a Career Achievement Award for an animation studio, that's tremendous, right.

With that said, it would have been a great announcement week. We're just not prepared to do it yet. The one we most want, we can't talk about yet. And we have a default. Like if it just doesn't work out, we're thinking of filming James Carbonara and a go-kart. We figure that might look good up in an IMAX Great.

But in all seriousness, we obviously too, are building a production pipeline so we can have not just the next one, but hopefully the one right after it as well. But we're very, very confident in the business plan, because what Blue Angel showed us is if we can put a spectacle documentary in theaters, it has tremendous value for streaming platforms.

It wasn't just like Amazon was the only one that wanted it. It's fair to say that four streaming services were very aggressive. And that's something that just doesn't exist in the market. There just aren't other people putting documentaries in theaters, let alone IMAX theaters. So we feel very good about what we got. We just want that next one to be able to talk about as much as you do.

In terms of your third question, of the three, other ventures. Well, Charlie Dougiello doesn't slow down The Door. We do have. We are evaluating opportunities. We have opportunities to evaluate is how I should have said it, in the liquor space. I think it's – we feel very confident we can meet our stated goal of having one new venture in the liquor space every year. But there can be some years and maybe even this year where we can do two. That's exciting.

We are working hard to make sure we have a skincare product that we can put in market in 2025. So we have one of those a year or as close to it as we can going forward, starting next year. And then we will announce that next live event, our first live event, excuse me, this year I really believe that. And that'll be something like liquor, where we'll have one a year, but – or some years two.

But it's not like you do a live event and then it's over. We're trying to design live events to where they become an annual tradition – for each of those events. So once you get to, by the time you're doing your fourth or fifth live event in success, you've got the next year you're starting with five events, if that makes sense, and you're adding a sixth in a different category. So, live events will be the last thing added to our portfolio of ventures. But they'll be equally important, in my mind, to the content strategy and the consumer product strategy.

Q: Okay, great. Well, thank you so much.

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

No, thank you, Allen. You always ask the most insightful questions and allow me to expand on our strategy. So, thank you.

Operator

Thank you. As we have no further questions on the lines at this time, I will hand it back to Mr. O'Dowd for any closing comments you may have.

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

Well, thank you, everybody that's listening. Obviously we're very proud of this quarter. It is the first quarter of the year. It's the first quarter where we've had our whole group together. This is our first full quarter. We obviously had a blowout quarter. It's not going to happen very often where you set a revenue record by 25% over the previous record.

So, we know that we will have a glass of Staple Gin and celebration and go right back to work, right. We're excited as I said on the last couple of calls, we see ourselves at the starting line and we're not even there yet. Honestly, we're building to get to the starting line in live events, and it's only going to get better from here in consumer products and content.

So, we know we've got with our company. We're very, very proud of our company. We're excited for our company, and this quarter proved it of what we can do when we have the whole group together and we start monetizing some of these ventures. So for a company of our size, we think we're as exciting an opportunity as there is in the market. So thank you all for the time and appreciate it, and look forward to speaking again with Q2 in August. Thank you, everybody.

Operator

Thank you, ladies and gentlemen. This does conclude today's event. You may disconnect your lines at this time and have a wonderful day. And we thank you for your participation.