

Transcript of  
Dolphin Entertainment, Inc.  
Fourth Quarter 2023 Earnings Conference Call  
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**Participants**

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

**Analysts**

Allen Klee - Maxim Group

**Presentation**

**Operator**

Greetings. Welcome to the Dolphin Entertainment Fourth Quarter 2023 Earnings Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to your host, James Carbonara of Hayden IR. You may begin.

**James Carbonara - Hayden IR**

Thank you, operator. With me on the call are Bill O'Dowd, Chief Executive Officer; and Mirta Negrini, Chief Financial Officer.

I'd like to begin the call by reading the Safe Harbor statement. Please note that statements made on this call are not historical facts may be forward-looking statements. Significant risks and uncertainties that could cause actual results to differ from those expressed or implied in the forward-looking statements are detailed in the company's Annual Report on Form 10-K and supplemented by subsequently filed quarterly reports on Form 10-Q, as well as in other reports that the company has filed with the SEC. Any forward-looking statements made on this call are made only as of today's date and the company does not undertake any obligation to update or supplement any such statements to reflect subsequent developments.

Now I'd like to turn the call over to Bill O'Dowd, CEO of Dolphin Entertainment. Bill, please proceed.

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

Thanks, James. That was the shortest safe harbor statement you have ever read in your career. I know people are hoping you'll come back at the end of the call.

Hi, everyone. Good afternoon. 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, revenue for Q4 was a record \$12 million, quarterly revenue record for Dolphin Entertainment, an increase of 8% year-over-year. I'm immensely proud of the Dolphin team who managed to achieve its best revenue quarter ever despite enduring two prolonged industry-wide strikes. Even more impressively on the bottom line, the team delivered positive adjusted operating income of \$300,000 in the face of such headwinds. This is very important to note, so I'm going to pause here and add that adjusted operating income is the primary metric by which we measure our business. It's what I look at first in any P&L I receive from Mirta. We define adjusted operating income as our operating income or loss after removing any non-cash or non-recurring income or expenses. In other words, if you go to our reported operating income or loss and back out all non-cash and non-recurring items, how did we do?

Reporting positive adjusted operating income is extremely gratifying, obviously, and now that we have our Super Group, complete with the acquisition of Special Projects and with our expectation of continued synergies and organic growth, combined with the launch of our Ventures in earnest, we believe that we will continue to have and expand positive adjusted operating income on a continuous annual basis. Very exciting and it's good to share with everyone how we look at our business and the metric, even if it's a non-GAAP metric that we use.

So, speaking of Special Projects, I know we discussed the acquisition at length on our Q3 call, but the transaction did happen in Q4, so just a couple of more bullets on them. As a brief refresher, I'll just point out the Special Projects, founded by the amazing industry leaders Nicole Vecchiarelli and Andrea Oliveri, is a leading agency in talent booking and celebrity-curated event production, with offices in Los Angeles and New York. Their impressive client roster includes top brands like Apple, CHANEL, Condonast [Phonetic], Wall Street Journal, among many, many others. With this strategic addition, Dauphin aims to launch or partner on our own live events, as well as capitalize on cross-selling opportunities and synergies across our various companies.

And speaking of our other companies, I'll now turn to some operating highlights. 42West helped clients secure four wins at the 96th Academy Awards and received two dozen nominations while boosting global interest for The Boy and the Heron and Godzilla Minus One. I'm going to go off script for a second because I just got to give a public round of applause to the 42West movie promotion team, The Boy and the Heron was a tremendous achievement to win an Oscar in the animated motion picture category. I don't know if that's the first time or must be one of the first times that a movie that wasn't American won that category. To beat out Spiderman animated movie was a real achievement, congratulations to that 42West team. And a separate team was promoting Godzilla Minus One, Best Visual Effects Oscar is what they won for. That entire

movie had a budget of \$15 million, and I think every movie they were competing against had a visual effects budget of bigger than \$15 million. Tremendous job getting the academy to see the movie and promoting the highlights of the visual effects. So great job 42West.

Moving to Shore Fire. Shore Fire, which also continuously does great elite PR work, represented clients who collectively received nine Grammy awards and over two dozen nominations across various categories, showcasing its roster's diversity in multiple genres. At major industry events that recognize both film and music, each of 42West and Shore Fire Media regularly represent their clients. This was evident in Q4 and year-to-date with both agencies orchestrating over half a dozen PR campaigns for clients at The 2024 South by Southwest Film Festival a couple of weeks ago. And they also achieved notable success at the 81st Golden Globes, contributing to clients securing multiple awards and receiving over a dozen nominations. Love it when our agencies work together and have success at award shows like that.

The Door, switching to them, celebrated eight consecutive years representing the Food Network New York City Wine & Food Festival presented by Capital One. Additionally, they added new client Giadzy from Giada De Laurentiis, an Emmy-award winning television personality, a New York Times bestselling cookbook author. What does she do? Restaurateur, entrepreneur. They added Giadzy and Giada to its growing roster of elite culinary clients and lifestyle brands. Special shout out to Charlie and Lois who will come up on this call.

Okay, now let's talk about The Digital Dept. I pointed out in our letter to shareholders in January that this will be the subsidiary of focus for expansion during the next few quarters at least. We believe that there is such an opportunity in the marketplace to establish the first fully-scaled influencer management company with the ability to service brands and creators of all age groups on all major social media platforms and in a variety of specialties. To that end, we had two major announcements in Q1. First, The Digital Dept. brought in the influencer roster of Glowlab to introduce a specialized talent management division catering to skincare experts and dermatologists, led by Glowlab's Founder, Susan Yara. Susan is an extremely successful skincare influencer herself, with her own YouTube channel, and she is also founder of Naturium, a skincare product line which was sold for the low, low price of \$355 million to E.L.F. Beauty in September 2023. I point that out because part of the strategy of inviting Susan and her roster to join The Digital Dept. is to help us conceive and develop partnerships to launch skincare products in which we have an ownership stake. Obviously, Susan had a very successful exit herself in just over three years. In other words, Naturium launched in June of 2020 and was sold in September of 2023 for \$355 million. It's also worth mentioning that Naturium's marketing during those three years was almost exclusively influencer marketing and PR, both of which are obviously strengths of Dolphin. I'll dispel any myth. We did not enter into the agreement with Susan to put James Carbonara as the face of a new skin care product line, but we are excited to launch skincare products.

In addition to bringing in Glowlab, The Digital Dept. also established a young adult division, YA division, as we call it, in partnership with the Osbrink Agency. This was also a highly strategic move for us. You probably saw the announcement in February. Glowlab was back in January. It immediately enhances our reach across TikTok and YouTube to complement our current strength on Instagram, and it launches an entirely new age group of influencers for us, teens and young

adults. We did so in partnership with the Osbrink Agency, which is Hollywood's premier talent agency for that age group. Cindy Osbrink, someone I'm proud to call a friend, the Founder of the Osbrink Agency is nothing short of a legend, having launched the careers of hundreds of young actors over the past 25 plus years, including Dakota and Elle Fanning, and literally dozens of lead actors across Nickelodeon, Disney Channel, and feature films.

Unlike 25 years ago, or even more recently when we were producing movies and series for Nickelodeon, there's now a thing called social media. I'm joking, of course. I'm sure you've heard of it and so many of those same talented teenagers and young adults of today have TikTok feeds and YouTube channels of their own. Simply put, we want to represent them and we want to introduce them to brands and by partnering with the Osbrink Agency, we just saved years of development time for that division and went from zero to 60, maybe even to 100, in the snap of our fingers. We announced the partnership, as I said, last month, and we already have more than three dozen of these young, talented social media stars on our roster, and we can't wait to introduce them to our existing brand partners and to new brand partners we will meet who will want to reach this important demographic.

Viewpoint Creative announced an extensive partnership with the Massachusetts State Lottery, specializing in digital graphic design and animation services, and they also received congrats, Dave and the team, four Muse Awards for extraordinary craft that shapes compelling narratives and leaves a lasting impact on audiences. And finally, Special Projects hit the ground running at Dolphin. Partnering with the Academy Museum of Motion Pictures for its third annual gala and continued collaborations with the Wall Street Journal magazine's Innovator Awards, great job booking Travis Kelce again and as the Talent Booking Partner and Entertainment Consultant for Town & Country's Annual Philanthropy Summit, which I attended, by the way, going off script again, and a special shout out to Charlize Theron and the great work she's doing in her native South Africa. It was very impressive. They also collaborated with CHANEL, Gucci and Valentino on their respective boutique openings and events during New York Fashion Week in February, as well as an entire slate of events during Oscar's week, which we'll highlight on our Q1 earnings call in six weeks. You got to save something, right?

Shifting gears, I'll now provide updates on some of our Ventures in which Dolphin and its shareholders participate. So I'm going to turn first to Blue Angels because what a week for that, right? As some may recall, Dolphin entered into a multi-year agreement to jointly finance the development and production of a slate of feature length documentaries for the global market. The first project greenlit was the Blue Angels. We announced it a couple years ago at the Cannes Film Festival, developed and co-produced by J.J. Abrams and his company, Bad Robot Productions, and Glen Zipper and his company, Zipper Brothers Films.

We then announced that Amazon Studios had acquired worldwide rights to the Blue Angels, wherein we expected to generate approximately \$3.75 million to Dolphin from the acquisition agreement, which would result in 75% ROI before the inclusion of any revenues to Dolphin from the ticket sales from IMAX institutional theaters, providing powerful validation for our model of also taking equity in projects we market. We're very excited for this film. It has turned out great, and so are our partners. Amazon secured an exclusive trailer debut and promotion on The Today Show last Wednesday. Thank you, our partners at Amazon. Very well reviewed clip that is

extremely -- that type of promotion, by the way, for those curious, that is extremely rare for a documentary. I just ask any of you, when was the last time you saw a trailer drop or a documentary on a morning show? When you remember, please let me know.

And let me tell you, the trailer has been a hit. Over 1.7 million views occurred in the first 24 hours and, as of today, a week later, we're over 9 million views. I believe this has to be one of the highest totals, if not the highest total, for documentary feature in the 28 years I've been in this business. And of course, this does not count the number of times the trailer has been viewed ahead of movies and theaters. IMAX has placed the trailer ahead of Ghostbusters in many locations this past week, and it will be ahead of the Godzilla King Kong movie that premieres tonight in many locations across the country as well. This precedes the beginning of an exclusive run in IMAX theater starting May 17. What do you do on May 17? I hope you go into the movie theater seeing Blue Angels. It's a Friday, you'll love it. With availability for streaming on Prime Video beginning May 23, right ahead of Memorial Day weekend.

Our success with Blue Angels is the result of a deliberate strategy to create event documentaries on subject matters you want to see in IMAX theaters. Putting an IMAX camera in a fighter jet cockpit and literally seeing the neighboring jet only twelve inches away, I cannot describe it. Fingers crossed, we think we have something special, and the importance of a theatrical release in enhancing a film's value for streaming platforms cannot be overstated, given the pre-established audience awareness a theatrical release provides.

Our deal with IMAX is significant for two main reasons. Firstly, it laid the groundwork for the robust streaming sale, which has been extraordinary. Secondly, there's an annuity benefit due to IMAX's ownership of theaters and museums, and generally institutional theaters, as we call it. We are eligible to showcase our film in IMAX institutional theaters six months after it premieres on Amazon. This means that as of November 23, the film can be presented at the Smithsonian Aviation Museum and an additional 150 theaters across America. This arrangement creates a steady income stream and annuity, which is quite remarkable. I wanted to make sure everyone understands the significance of this. In terms of financials, we retain a high percentage of ticket sales, roughly 25%, since there's no distributor involved. For instance, in a theater with 200 seats, each ticket sold at \$10, that's \$2,000 in revenue, from which we would earn \$500. That's just from one showing in one theater, and there are 150 theaters in the country and 365 days in a year. So considering the film's potential to run for part of or the entire year in various museums, this is expected to continue for the next decade or two to come, given the scarcity of this type of content in institutional venues.

Furthermore, with the version of the film being shown in institutional theaters being only 44 minutes long versus the normal 90 minutes that we'll have on May 17 in traditional theaters, we can fit in more showings per day. These details are crucial for stakeholders to understand the financial implication. You might ask, what's the value of the moving institutional theaters? And while it's challenging to specify an exact figure, we anticipate this could generate hundreds of thousands of dollars annually, if not more, contributing directly to the bottom line since the film has already recouped its investment. So in addition to the 75% ROI from the streaming sale and our participation in ticket sales from the initial theatrical run beginning May 17, we also gained

this annuity post streaming run beginning in November. Very excited for Blue Angels, and if you haven't seen the trailer yet, I hope you get a chance to check it out online right now.

Switching gears to Mastercard Midnight Theater. For those unfamiliar, Mastercard Midnight Theater is a state-of-the-art, contemporary variety theater and restaurant experience in the heart of Manhattan in a neighborhood dubbed Manhattan West. Dolphin is the managing member in the venue and is responsible for the marketing of both the theater and the accompanying restaurant. We have a meaningful ownership stake in Mastercard Midnight Theater as well. I'd say it's been very gratifying to see the venue attracting high profile events and partnerships with major brands like Mastercard. The star studded premieres with Jessica Chastain, Pete Davidson, Kaley Cuoco and Kevin Durant showcase the theater's ability to draw top talent and create exciting synergies with our PR firms.

However, since our grand opening last September, and especially in the typically slower first quarter period, operations across the restaurant, the cafe downstairs and the theater have not met our expectations and as well understood that without a profitable restaurant is challenging to make the venue successful. So we have prioritized our search for a new operator with a new restaurant concept that can best attempt to revitalize the space going into the key summer and fall seasons. While there's no assurance that any deal will close, we have identified the group that we would like to bring in and we are working hard to close a deal in the next few weeks. Acknowledging the challenges of the past six months and facing the uncertainty brought about by this potential change, or whether we can make a change at all, we decided to impair the asset value we had on our books, viewing it as an opportunity to reset and potentially avoid future financial overhangs.

Turning to our newest venture, we are proud to share that Dolphin Entertainment has partnered with renowned culinary personality and client Rachael Ray and the esteemed Do Good Spirits Distillery to launch Staple Gin. This collaboration brings together Rachael's culinary expertise, Do Good Spirits' craftsmanship and Dolphins marketing prowess to create a unique and promising addition to the spirits market. Staple Gin is the result of Rachael Ray's passion for creating flavorful experiences and her decades of culinary knowledge. The botanical recipe developed by Rachael herself promises a balanced and intriguing flavor profile that reflects Rachael's signature style.

Our subsidiary, The Door, which is represented Rachael Ray since 2008 and Charlie and Lois have worked with her since 2005, has been instrumental in bringing this project to life. The Door's team has leveraged their extensive experience in marketing, wine, spirits and consumer packaged goods, as well as their long-standing relationships with culinary personalities and restaurants to contribute to all stages of Staple Gin's development. From branding to marketing, PR and trade relations, The Door has played a crucial role in positioning Staple Gin for success. To generate buzz in anticipation for the launch, Staple Gin made its first public debut at two prestigious events, the New York City Wine & Food Festival and the South Beach Wine & Food Festival. Rachael Ray herself was present at these events, pouring sips for attendees while Do Good Spirits mixed up the Staple Gin cocktails. The response from those who had the opportunity to taste Staple Gin has been overwhelmingly positive, further validating our confidence in this new venture.

Staple Gin is set to come to market here in Q2, initially in New York State at bars, restaurants and retail destinations, with plans to expand to additional markets in the future. We are thrilled to be part of this collaboration and to utilize the full range of marketing and PR capabilities that Dolphin Entertainment offers. We believe that Staple Gin has the potential to become a staple, no pun intended, that was too easy, right, in home bars and a go-to-choice for classic cocktails like the gin and tonic or a perfect martini. We are incredibly excited about the potential of Staple Gin and our partnership with Rachael Ray. She was just absolutely lovely.

As you may know, celebrity backed spirits brands have seen tremendous success in recent years; just look at the example of Ryan Reynolds' Aviation Gin exit of more than half a billion dollars and George Clooney's Tequila brand, which sold for a billion. Moreover, it was reported last month that the potential value of toying the Rock Johnson's Teremana Tequila may be significantly higher since it is moving over 170,000 cases per month, which is a staggering number; good for him. So as you can see in success, big numbers are possible with celebrity backed liquors; may we be as lucky. While we can't promise the same results, of course, we believe we are playing in the same space and have the marketing expertise to give Staple Gin the best possible chance for success.

And I just want to add that our fantastic team at The Door, and again, Charlie really spearheading this, has its own share of experience and success stories in the space. Working with liquor brands from creation through successful exit, including recent examples of Jefferson's Bourbon, which sold to Pernod Ricard in 2019, and 21 Seeds Tequila, which sold to Diageo in 2022. So we're not exactly foreign to the journey and, as many of you know, our company is always looking for innovative ways to leverage our marketing experience and expertise and create value for our shareholders. The Staple Gin partnership is a perfect example of this strategy and action, and I want to emphasize that this venture, like many of our other ventures, does not require any capital expenditure from Dolphin. We anticipate this will be the first of many Ventures in the alcoholic beverage phase for Dolphin, and we expect to pursue similar deal structures in the future where we provide our marketing services in exchange for a share of the upside without capital investment.

As we continue to pursue these types of ventures, we believe the economic benefits at Dolphin will be substantial. We look forward to sharing more details on the Staple Gin partnership and our other upcoming ventures in the spirit space. 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 structures. There will be much more to come on Staple Gin on our Q1 earnings call.

Okay, those are some highlights about our Ventures division and circling back then, in summary, in Q4 Dolphin Entertainment achieved record quarterly revenue of \$12 million and positive adjusted operating income of \$300,000, despite the impact of twin industry strikes for the first time in over 60 years. All of our subsidiaries secured high-profile clients and partnerships, and we also acquired Special Projects. That's the highlight of the quarter for me, which completes the original vision of what we now call the Super Group. And lastly, with Special Projects added to the fold, we have positioned the company and our shareholders for upside from all three

categories of Dolphin Ventures; content, consumer products and live events. The first piece of content, the Blue Angels documentary, hits theaters in six weeks and is already profitable from our sale of streaming rights to Amazon Prime, where it debuts on May 23, as I mentioned. For the consumer product category, we have Staple Gin hitting the market here in Q2 and we couldn't be more excited. And for the live events category, we are actively ideating with Special Projects, Nicole and Andrea and expect to be able to announce the idea for our first owned event by the end of this year or in early 2025. All of these ventures will leverage our marketing expertise and we expect the majority of them, like Staple Gin, will not require capital investment from us. So for all of these reasons, Dolphin Entertainment is well-positioned for growth and success. We believe focusing on creating shareholder value through innovative partnerships and deal structures while running a sustainable operating company focused on generating increasing adjusted operating income.

Thank you for your continued support and I now turn it over to Mirta.

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

Thank you, Bill, and good afternoon everyone. I will now discuss financial results. Total revenue for the fourth quarter ended December 31, 2023 was \$12 million, an increase of 8% over the same period in prior year. Adjusted operating income, as defined in our earnings release, for the three months ended December 31, 2023 was approximately \$300,000 as compared to adjusted operating income of approximately \$100,000 for the three months ended December 31, 2022.

Operating expenses for the three months ended December 31, 2023 were approximately \$20 million, including approximately \$8.3 million of non-cash or non-recurring expenses, compared to \$14.1 million of operating expenses for the three months ended December 31, 2022, including approximately \$3.1 million of non-cash or non-recurring expenses. Operating expenses for the quarter ended December 31, 2023 are composed of direct costs, payroll and benefits, selling, general and administrative expenses, acquisition costs, goodwill, impairment costs, depreciation and amortization, write-off of notes receivable, and legal and professional fees.

Direct costs for the quarter ended December 31, 2023 were approximately \$300,000, compared to approximately \$600,000 for the quarter ended December 31, 2022. Payroll costs were approximately \$8.9 million in the fourth quarter of 2023, compared to approximately \$8 million in the fourth quarter of 2022. SG&A expenses were approximately \$2.4 million in the fourth quarter of 2023, compared to \$1.9 million in the fourth quarter of 2022. Acquisition costs were approximately \$100,000 in the fourth quarter of 2023 compared to \$200,000 in the fourth quarter of 2022. During the fourth quarter of 2023, we impaired goodwill by approximately \$3 million as compared to \$900,000 impaired in the fourth quarter of 2022. Legal and professional fees were approximately \$500,000 in the fourth quarter of 2023 compared to \$600,000 in the fourth quarter of 2022.

Operating loss and net loss for the quarter ended December 31, 2023 of approximately \$8 million and \$9.6 million, respectively, include non-cash or non-recurring items of approximately \$8.3 million and \$9 million, respectively. These include a \$3 million impairment of goodwill,



approximately \$600,000 of depreciation and amortization, \$400,000 of bad debt write-off, \$100,000 of acquisition costs, and write off of our notes receivable in Midnight Theatre in the amount of approximately \$4.1 million. The net loss also includes losses from equity investments of approximately \$700,000. This compares to an operating loss and net loss for the quarter ended December 31, 2022 of \$3 million and \$3.3 million, respectively, which included non-cash and non-recurring items from depreciation and amortization of \$500,000, \$900,000 of goodwill impairment, \$200,000 of acquisition costs, and \$1.4 million of changes in the fair value of contingent consideration. Net loss also included approximately \$100,000 in losses from equity investments and affiliates.

Loss per share was \$0.54 per share based on 17,632,822 weighted average shares outstanding for both basic loss per share and fully diluted loss per share for the three months ended December 31, 2023. Loss per share was \$0.29 per share based on 11,256,578 weighted average shares outstanding for basic and fully diluted loss per share for the three months ended December 31, 2022. Cash and cash equivalents of \$6.4 million as of December 31, 2023, as compared to \$6.1 million as of December 31, 2022.

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

### **Operator**

Certainly. Thank you. [Operator Instructions] The first question comes from Allen Klee with Maxim. Please proceed.

**Q:** Good afternoon. Congratulations on the quarter. Starting off with 42West and you mentioned that despite headwinds from the two strikes, you still performed well. How do you think about how that business will normalize in 2024 and maybe how much of the headwinds there were in 2023 and maybe how much might go away in 2024 if you had?

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

Sure and thanks, Allen, for the kind words. Yeah, we feel we had a great quarter, too. Well, the writer strike that started in May didn't really -- wasn't as impactful to our business. The actors strike that started in July was very impactful to our business because actors weren't allowed to promote movies, so the studio had double whammy on us because some of the actors took hiatus. They had nothing to promote, they weren't allowed to promote, so they went on hiatus from our talent division. But then our movie division, many of the studio films and independent films that were going to be released in the fall were pushed till 2024. It pushed everything back. So if I'm just being honest, it's a little remarkable to me that the fourth quarter finished as well as it did, almost a million dollars more than any previous quarter of the company, because so much of our juggernaut movie business was pushed out. Obviously, nobody wants to release a movie if the actors in the movie can't promote it, right. So even though the strikes ended in November, many of those movies that pushed out of the fall, September through December weren't even put into the theaters in January or in Q1. It'll probably fully normalize by the end of Q2 is my guess, and

we're doing fine. The impact is lessening every month, but it was an impact in Q4 and very proud of the team for the results against those headwinds.

**Q:** That's great. For The Digital Dept., fourth quarter is usually the seasonally strongest. Can you talk about how you felt about the performance in the quarter and then with the addition of Glow and YA, how do you -- can those be meaningful contributors to the department and the company overall in 2024, in your view?

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

Yes. I'll go nowhere. You asked the questions, but a resounding yes on the second one. Yeah, Digital Dept. had a strong Q4. They hit their goal. I'm also proud of that team, too. Ali Grant, Sarah Boyd, Kirsten Weinberg, Belinda Strom [Phonetic], because we merged them, Be Social and Socialyte, in September. That's a heavy lift. Anybody that tells you differently just has never done the process, and it's a big distraction to management. And they -- we really wanted it to be done in September because going into that fourth quarter, which is the heavy selling season, you didn't want that hanging over your head, and you certainly didn't want to do a merger in Q4 and rebrand the company. And so they did all of that work and then still maintained a very steady ship in Q4; very happy with the results of The Digital Dept. at the end of the year there. Going forward, I really tried to make it an emphasis and kind of signal to the market that this is an emphasis for us, is the growth of The Digital Dept. because it has so much growth potential. I've talked about it on many previous earnings calls. We're starting to realize that, the growth now, because Glowlab, as an example, that's when you bring in a team. And Susan Yara built a nice little influencer marketing company with 15 dermatologists or so, and that just immediately establishes a skincare group and brands pay big for credible, authentic voices in that space, and we think there's room to grow in that space. The beauty category in general, skincare is a big component, but hair care is even bigger. Cosmetics is a separate category. Just to give you a sense of how big this could get for us and we're excited to expand that group by itself. And then I made a point to mention that Susan created a product, launched it in COVID, and sold it three years later for a great exit, because she's living proof of what we're trying to do with our Ventures. And skincare is going to be one of the two pillars, and beauty and cosmetics generally, as well beauty category broadly, will be one of the two pillars for us, along with liquor, where we feel like once we get it up and running, we can be launching a product a year. So it was a highly strategic move for us to bring Susan and her group in, and very blessed about that. That will be immediate revenue. There are 15 influencers, that's immediate revenue for us, plug and play.

In the YA space, thankfully, for that partnership with Osbrink, because while we very much wanted to add teens and young adults to The Digital Dept., if we had built it one influencer at a time, hire in a manager and do that, it could have taken us no less than a year, probably closer to 18 months, to 24 months, just to have a viable roster of ten or twelve working clients that are meaningful in that space. With Osbrink, we feel like we just represent that roster for digital. Overnight, you've got two dozen teens and young adults that are on TV shows or movies, and it's just such an advantage because they all have social profiles too. So we're excited to be able to start monetizing that probably in earnest here in Q2 as we put the roster together between February and March, I'd say that's the timing of those two and when they'd have an impact.

**Q:** Thank you. One follow up on The Digital Dept., and this is -- I don't know how you answer this or what the probability is, but our government's talking about potentially maybe banning TikTok or making it harder for them to operate here. How do you think about that? Like, if that happened, it's probably -- well, I don't know how to put out, but how do you think about if that happened or what impact that might have?

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

Well, for us -- yeah, I take no position on whether it will or won't, as you gather, too, I don't know, but it'll really come down to individual creators. Let me back up. The Digital Dept. has three divisions. We manage individual talent and take a percentage of their revenue. We have a brands division where we represent brands and design influencer marketing campaigns for them and execute them, and we have an events division. On the events division, platforms don't impact us. On the brand side, the brands will just adapt and shift their ad dollars from a TikTok campaign to an Instagram campaign or a YouTube campaign, and we'd be managing it anyway. It won't have an impact. On the talent side, there will be some talent out there in the world that are only on TikTok or primarily on TikTok that will be impacted because they'll have to transfer their following over, most likely to either, well, most likely YouTube as a video platform, and that may take some time or for their followers to move over with them. But in today's world, time might be a day, four days. But fortunately for The Digital Dept., we're weighted heavily on a platform but that platform is Instagram, and what we want to do with moves like this YA roster is diversify and get a little bit more balanced with TikTok and YouTube, and if there is no TikTok, then YouTube and whatever comes next. Fortunately, it shouldn't have much of an impact on us at all if TikTok goes away.

**Q:** Thank you. And I'm excited about Blue Angels coming out, as a lot of people are. I'm curious if it looks like the time that it'll be in the IMAX theaters is shorter than what I thought. Was there a different thinking of how long it would be in IMAX versus then going to Prime?

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

Well, that's not that -- and I apologize we could have made that clearer, Allen. It's not that it leaves theaters; it's just that it's only in theaters for that first week and then it can continue its run. And I understand Amazon at first was debating is it a July 4 release or a Memorial Day release? And Memorial Day weekend is such, it's the kickoff of movie watching and movie going, and it'll be on top of mind for everybody. It's generally the kickoff of the summer season, right, not that some of the Avengers movies didn't come out earlier and some of the big temples are again this year. So they just didn't want to lose the Memorial Day weekend for their opportunity as well. So we certainly understand that that's the weekend we premiered Top Gun two years ago. May fighter jets be in Vogue again this Memorial Day. And the Blue Angels themselves have some high profile shows in real life over that weekend as well. So we know we can promote the sugar out of this film on that weekend. So the thought was launch it exclusively in IMAX May 17, let it run as long as it intends to run in other theaters potentially, too, after that first week when it's only available on IMAX but then have Amazon be able to have viewership numbers that capture that type of excitement around the film.

**Q:** That explains it well, thank you. And then with IMAX, how are you thinking about maybe the next partnership, the next movie? Is that likely a 2025 event or how do you think about that?

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

Yeah, we think so, too, Allen. Yes, we do think that way. Shockingly, as I'm sure for yourself, big surprise, you're not the first person to ask; oh, man, this is so great, what's next. And we're excited to hopefully share what the next partner movie with IMAX will be as soon as we can. You can imagine with this, and there's no shortage of people looking to partner because maybe it's going -- maybe to go back a step, it's worth noting, too, I think I said it on those earnings calls when we formed this partnership, I'm unaware there is -- to my knowledge, there's no other deal in the market -- in the industry where there's a guaranteed theatrical release for a documentary. And with IMAX and Dolphin, we're both thinking about how can we bring something new to the marketplace and this idea of, for lack of a better word, big spectacle documentaries, we're going to have to come up with a catchy phrase for that, but like, with Super Group, but the idea of Blue Angels or something like that in IMAX, This is Not Your Father's Oldsmobile, it's not your father's true crime documentary, it's theatrical. It's big and this movie delivers on that promise. It's a great first movie in that slate. So when you've got a hit out of the gate and you've got something different like that, then it's really just a matter of choosing what do you want that next big one to be that hopefully you don't suffer a sophomore slump, right and it's as eye grabbing as seeing fighter jets twelve inches apart from a camera that's twelve inches apart, not from the ground, right. So, yeah, we think that we'll have an announcement, obviously, this year for what could either be filmed or released in 2025 and start getting to a regular cadence with it.

**Q:** That's great. Thank you. For Mastercard Midnight Theater and Hidden Leaf, your comments there of looking to change the venue of Midnight -- of Hidden Leaf. When you're saying that didn't perform to expectations, were you referring just to the restaurant or the restaurant and Mastercard Midnight Theater?

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

Well, we really do want to try and bring in an operator for the restaurant. You know, it's very hard to have a successful venue, including theater, if the restaurant's not hitting its goals. And so it's an opportunity to kind of re-conceptualize and maybe bring in a bigger operator, especially because you're coming out of the historically slow Q1. Restaurants in Manhattan and anywhere in the northern city don't do as well in the winter as they would in the summer or fall, right, so people just don't go out as much, so it felt like the right time to put in a new concept, if we can. So that's why we've prioritized the search and we are talking to groups and actively now to see if we can come up with a new concept for the key summer and fall seasons. Now, there's no assurance that a deal will close, but we have identified the first group that we'd like to bring in and working hard to close a deal in the next few weeks.

**Q:** That's great. Okay, I'll just finish up quick with a few financial questions. I know you haven't given guidance. Are you able to give anything qualitatively if you think you might be able to grow revenue? And if so, what would be the drivers to that?

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

Sure. Well, I'm happy we beat our beloved analyst expectations for Q4, so we hope to be able to do that again here in Q1 and the two drivers, which won't come as a surprise, given our prepared remarks for the last three years, right. Each year we've added a new member of our group, it exponentially increases the amount of collaborations that can occur, right. I think Tim Johnson from Bard pointed out to me the mathematical formula to it. When you only have one company, you can't cross sell with anybody and when you have two, it can only go in two directions, but by the time you get to three, there's like six different strings to the Spiderweb. Well, now we're up to effectively six marketing companies and an operating film production division. So we're exponentially more intricate and Special Projects plugs in beautifully as an additional offering. There's been, oh, goodness, I think, no less than half a dozen introductions to potential new clients for Special Projects in the last week or two alone. I attended one of them and it was extremely well received. So the idea to organically grow our subsidiaries through cross-selling and through new introductions is just very, very real. And that's why we wanted a live event company that comes out of Hollywood instead of, let's say, a non-entertainment live event company, because Special Projects, when they're doing the Motion Picture Academy, the Oscars people, right, they're gala, and that's a direct hit to somebody calling card for any number of people that 42West could introduce them to. So, organic growth will be strong, we feel, but then now look where we are with our Ventures, we've talked about it for a couple of years, but now we have all the pieces in place to have a really strong pipeline of Ventures.

Q2 is going to be pretty big. That next earnings call, May 15, we think we're having a strong Q1. We have a film coming out two days later from May 15. We'll have a liquor in market probably by the time we're on the call, in which case they want to give a sample to everybody on the call right. So it's happening. Now we're moving to the point where these earnings calls are giving updates on those types of opportunities for Dolphin. Each one of those can represent very large revenue exits in time or immediate, like Blue Angels, and that will certainly be jolts of growth that we just didn't have in past years as we were building this group, right. And we have a couple of them in May, we might have those two and a couple more later in the year and soon you're trying to keep everybody abreast of hopefully six, eight, ten, 12 ventures in a couple of years, and that's very exciting for us.

**Q:** Great. Okay, that's it for me. Thank you very much.

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

And to springboard off that one idea too, Allen, I'm sorry, I should have said too on The Digital Dept., we announced Susan Yara and Glowlab in January. We announced the YA in February. We don't think we're done. So let's see if there's another announcement or two this year and there's just so much growth in new spaces for The Digital Dept. And each of those, they're not as big as a Blue Angels or heaven forbid, a successful Staple Gin with Rachael Ray, but they're meaningful and they could launch new businesses for us as well. So there'll be some announcements on that front as well, too we think. So, thank you for your time and questions, Allen.

Q: Thank you.

**Operator**

Okay, we have no further questions in queue. I will now turn the call over to Bill O'Dowd for closing remarks.

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

Well, thank you. Thank you everyone, for listening. It's nice to be here at the 10-K for 2023. I'll reiterate, welcome to Special Projects. It's a company that has, in a short period of time, grown to be very special in my heart. I just think the world of Nicole and Andrea and their entire team. I'd shout them all down by name if I was given the time, right. Very high quality people, very strong workers, and they built a beautiful company. So excited for what will come with Special Projects, which will be more of a feature of these calls probably in the second half of the year.

Overall, obviously, the company's got a little bit of a buzz about it, a little bit of a swagger, given Blue Angels and the drop of the trailer and the fact that it's in theaters in just a few weeks and the Q1 earnings call, the duking out between what we lead with either Blue Angels or Rachael's gin, and some updates on both of those fronts. Thank you, everybody, for joining today and thank you for the journey. I know it's a Thursday night before a holiday weekend, but we couldn't be more excited for the company and look forward to the next call. So thank you all very much.

**Operator**

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