Transcript of Dolphin Entertainment, Inc.
Fourth Quarter 2019 Earnings Call
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Participants
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Bill O'Dowd – Chief Executive Officer
Mirta Negrini – Chief Financial Officer

Analysts
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Barry Sine – Spartan Capital
John Hickman – Ladenburg Thalmann
Allen Klee – National Securities

Presentation

Operator
Greetings, and welcome to the Dolphin Entertainment Fourth Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions]. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, James Carbonara with Hayden IR. Thank you, sir. You may begin.

James Carbonara – Hayden IR
Thank you, and once again welcome to Dolphin Entertainment's Fourth Quarter and Full Year 2019 Earnings call. 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. This statement is made pursuant to the Safe Harbor for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. All statements made on this call with the exception of historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Although the company believes that expectations and assumptions reflected in these forward-looking statements are reasonable, it makes no assurances that such expectations will prove to have been correct. Actual results may differ materially from those expressed or implied in 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, those contained in subsequently filed quarterly 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 Bill O'Dowd, Chief Executive Officer of Dolphin Entertainment. Bill, please proceed.

Bill O'Dowd – Chairman & Chief Executive Officer
Thanks, James, and thanks everyone for joining today. As usual, I'll arrange my comments as follows: first, I will highlight our financial results; second, I'll spend some time providing operational updates; and third, I'll turn it over to Mirta to dive deeper into our financial results before having our Q&A.

So first up, the financial results. Well, I'm happy to report that results exceeded consensus expectations for both revenues and earnings-per-share. All members of our PR and Marketing Super Group had a strong fourth quarter, pushing our annual revenues just past $25 million, which was terrific. This represents an 11% increase year-over-year.

Furthermore, our net loss in the fourth quarter was just $71,427 which was less than half a cent per share and this number includes depreciation and amortization costs of $500,000 or a little over $0.03 per share. This result also exceeds consensus expectations. In short, revenues are growing and net income is improving at a faster pace than projected, which we attribute to the cross-selling of services between members of our entertainment marketing Super Group.

Turning to operational updates, I'm sure the number one question on everyone's mind is what does the current environment mean for Dolphin Entertainment, its four marketing companies, 42West, The Door, Shore Fire Media, Viewpoint Creative as well as Dolphin's M&A strategy and production plans? I'll answer that question one-by-one. But before I do, in these dark times it's worth mentioning right off the top the tremendous recognition we received in December with the publishing of this year's Power 50 list of the top PR firms by *The New York Observer*. All three of our PR firms made the list with 42West at number four, the highest-ranking of any entertainment PR firm.

Let me put that in perspective for everyone. It really signifies something special that we think we're building. First, there are over 12,000 PR firms in this country, yet all 3 of ours made the top 50 list. Secondly, we believe we are the only company that owned more than one PR firm on the list. This makes us unique It is our differentiating factor and it validates what we call our entertainment marketing Super Group led by our three PR firms; 42West for movies and television, The Door for celebrity chefs, hospitality and consumer products, and Shore Fire Media for music. Our positions in our respective industries are validated as best-in-class and our companies also represent a platform for future growth that no one else has. This is the heart of the investment thesis into Dolphin. More on that later. But first let's take a look at our companies.

As usual, I'll start with our first acquisition, 42West. In this environment people are forced to stay home and, not surprisingly, viewership across the streaming platforms has increased. These streaming platforms are our clients and thus 42West has seen an increase in projects to promote in the past 30 days. Last week, with one major streaming service alone, we signed an order for 11 new series and 4 movies all launching or premiering in the next few months.

The streaming services are extremely well-positioned in this crisis. The programming they intend to roll out over the next six months has for the most part already been completed and delivered to them. This is why Ted Sarandos said that Netflix sees no disruption to its service for the foreseeable future. They don't have to change their release schedule unless this went on into October which we don't think anyone is thinking it will, so we anticipate receiving a lot of business from the streaming services.

42West did lose some business in March and April from the closure of the Tribeca Film Festival. We had several movies that were scheduled to premiere during the festival and it is unclear if the festival will be rescheduled for a later date. However, other than the Cannes Film Festival, there are no other film festivals scheduled until the end of August, really Labor Day. So we feel that the increase in streaming services business should compensate for the loss in film festival business.

Now I'll switch to The Door. Not surprisingly, The Door is our company which the coronavirus has most impacted because they're in the restaurant and hotel business for a good portion of their revenue. Those clients are expected to put The Door on hiatus because the restaurants will not have the cash flow, especially in New York and Los Angeles, but really everywhere these days, to afford promotion while they're only doing delivery or take out, if they're open at all.

We're not worried about losing the client overall, but we anticipate losing revenue for the second quarter in that business from those clients. Certainly, every hotel is not doing well and they may close the hotels for a month or two before they reopen. The hotel I stay in when I'm in Los Angeles, for example, made a decision last week to close until May 11th. So, for that business we are assessing the revenue impact for the second quarter.

The consumer products division of The Door has been less affected by the general economic conditions and we plan to utilize this time for expanded business development in that area.

On the music side for Shore Fire Media there has been less of an impact. The reason why is because music today is different. The sale of music is pretty much all online. If you buy a song, it's digitally. It's iTunes. Sadly, there are very few record stores anymore. So, the promotion of music is also online for the sale of it, for the streaming of it, Spotify, Pandora. We have more than 100 active clients at any one time, the majority of which utilize Shore Fire to promote a singles release or an album release. Thus, the impact to Shore Fire has been the least of all of our companies.

Viewpoint is our smallest company and doesn't have a big impact either way. Their corporate videos are still in demand, and, if anything, some corporations may need more of them in this environment because they will need videos to post online for increased digital marketing efforts. If you're a brand, you're not sponsoring events any time in the next quarter or two because they've all been canceled. That business is going to the online companies. If you can market online in today's world, you're at a huge advantage, which is a good segue for us to turn to M&A.

As the old saying goes, every challenge presents an opportunity. We are viewing this environment and looking for opportunities and those opportunities can take different forms. First of all, we know that there will be a lot of great talent on the streets. Many of our competitors, all privately-held companies, have already started to lay off staff. This presents us with an opportunity to get really great talent that was unavailable before now. Those inbound calls have already started to happen and, quite frankly, we anticipate a flood of them by the time May rolls around.

Secondly, we think by May we will also have opportunities with companies that were doing very large profits and be able to talk to them about bringing them in at very inexpensive prices, specifically within the live events production industry. Those companies have almost all closed shop in the past week or two. There is zero revenue on their books for the next three months. We think this will represent a tremendous opportunity for us to bring in the right company with a large list of long-time clients when the economy reopens for events.

We have made no secret of our desire to add that type of business to our Super Group. We had already been holding conversations in that sector, I'm sure to the surprise of no one, and we have such a tremendous advantage through our three brand name PR firms, all of which are extremely attractive to live events production companies for the obvious synergies of both client referrals and talent appearances. We already had very strong interest from companies in this sector to join us. Now we think that we can create a very compelling win-win investment scenario in this area.

The other type of company we've previously discussed wanting to bring into the Super Group is social media and influencer marketing. As mentioned above, those companies are positioned extremely well in this environment. Our brands need to shift their marketing dollars even more online. We are in active conversations in this space also. As noted above, we have the only collection of premium best-in-class entertainment marketing companies inside a public company. This gives us a platform to add other pieces, whether they be individuals, groups or companies. In this environment, our unique position makes us even more attractive to those potential new members.

Our plan has not changed. We want to finish building the core of the Super Group by the end of this year. Now we may be able to buy much larger companies than we could have thought about a month ago if the world hadn't changed. We are looking at those as opportunities and seeing if there will be a deal to make.

Lastly, I'd like to say a few words about production. We announced our first project entering the casting phase, a movie called *Sisters Before Misters*. It is a female-led comedy where a younger sister mistakenly takes on the task of planning the wedding of her older A-type sister.

We have attached Lea Thompson to direct. Lea's a fantastic comedy director working on several TV shows currently and she recently finished her first feature film. Of course, many of you know Lea as an actress, especially from the *Back to the Future* movies or from her own NBC sitcom, *Caroline in the City*. While as I mentioned, we are out casting the project now and in a different world we would be lining the film up to shoot this summer or fall, we will have to see what the development process looks like these days. We have a strong pipeline of both film and television projects ready to go. I expect we will have a second announcement before we file our 10-Q as well as more clarity on when productions can safely resume.

To recap, we were ahead of pace of both revenues and net income for the fourth quarter which gave us great momentum heading into the New Year. We had been in conversations with companies five and six to complete our entertainment marketing Super Group. The clear synergies and growth potential of adding a social media and influencer marketing company are more clear now than ever before.

For the live events production company, we see this environment as an opportunity to potentially add to the size of the company that we could not consider before. We will look for the right deal in that space and believe if done right, it could deliver large organic growth for years to come.

Also, we believe our collection of world-class PR companies will be attractive havens for individuals, teams and small companies alike in this environment. As in any disruption, the strong will survive and be given opportunities to come out the other side even stronger. We plan to be nimble in seizing those opportunities.

Obviously, the coronavirus will affect every business, ours included. The core restaurant and hotel business for The Door will be seriously impacted for the second quarter. These are unchartered waters for everyone and we may also see client reductions in all of our business. It is far, far too early to tell. We'll be able to report more on that in 45 days or so during our Q1 call.

Finally, even though it seems like a lifetime ago, I wanted to end my prepared comments looking back at significant events that have transpired in our company since our Q3 earnings call. It's good to remember what's happened in just the last 120 days even though it's hard to look back further than 30 days, right? In early December we acquired Shore Fire Media, a leading music and entertainment PR agency. We love Marilyn and her team, Rebecca Shapiro, Matt Hanks, Mark Satlof. These are extremely strong music PR specialists and we're very excited to be working with them.

Shortly after that, as mentioned earlier and worth repeating, 42West, The Door and Shore Fire Media all earned spots on *The New York Observer*'s prestigious PR Power 50, a widely respected ranking of 50 most influential PR firms in the country. Three, all three in the top 50, in case I didn't make that clear. In January of this year, Shore Fire Media's clients won a collective 11 Grammy Awards, including 7 in various Best Album categories. They're pretty good at what they do.

In February of this year, 42West was involved in various capacities with 13 films that earned a total of 49 Academy Award nominations and won 9 Oscars. They're pretty good at what they do.

Furthermore, to add icing to the cake, Rachel Aberly, Executive Vice President of 42West, won the inaugural Publicist of the Year Award at the 2020 Publicists Awards which feels particularly appropriate since Rachel heads up 42West's work with the Academy Award nominations. Congratulations, Rachel, that's really awesome – the inaugural Publicist of the Year Award. Fantastic.

And as we mentioned, Dolphin Entertainment acquired feature comedy script *Sisters Before Misters* and attached Lea Thompson to direct.

Thank you all again for your time and attention. We hope everyone stays safe and healthy. And even from home, we remain excited here at Dolphin. It's always a good feeling to come in ahead of consensus expectations on the financial side and to be in a position of flexibility and strength in challenging times. We see the opportunities and we want to take advantage of them.

Now, I'll turn it over to Mirta for a more in-depth view of our financials.

Mirta Negrini – Chief Financial Officer and Chief Operating Officer
Thank you, Bill, and good morning. As Bill stated earlier, total revenue increased 11% year-over-year to $6,450,931 in the fourth quarter and full year revenue increased 11% to $25,001,867. The majority of the revenue was derived from our Entertainment, Publicity and Marketing segment.

Revenues from our Content Production Segment were zero in the fourth quarter of 2019 and $207,459 in the fourth quarter of 2018. As we have previously discussed, film revenues are primarily earned right after the release of a film and the decrease in revenues is part of the normal revenue cycle of a motion picture. Overall, operating expenses in Q4 of 2019 were approximately $7,094,810. Direct costs were $1,040,518 for the three months ended December 31, 2019 as compared to $976,826 for the three months ended December 31, 2018. The change is primarily due to having an extra month of operations of Viewpoint that was acquired on October 31, 2018.

Payroll costs were $4,229,381 for the quarter ended December 31, 2019 as compared to $3,511,507 for the quarter ended December 31, 2018. The change is primarily due to an extra month of payroll costs for Viewpoint that was acquired October 31, 2018 and payroll costs of Shore Fire that was acquired on December 3, 2019.

Our operating loss for the quarter ended December 31, 2019 was $643,879 and it included non-cash items of depreciation and amortization of $500,792. That compares to the quarter ended December 31, 2018 that had operating losses of $3,580,080 with depreciation and amortization of $633,382 and a goodwill impairment of $1,857,000.

Net loss for the year ended December 31, 2019 was $1,193,377, which is $0.07 of basic loss per share, on a weighted average number of shares of 16,522,924 and $0.20 of diluted loss per share on a weighted average number of shares of 21,425,506.

For the year ended December 31, 2018, our loss was $2,913,321, which is a loss of $0.22 on basic loss per share with a weighted average number of shares of 13,773,395 and $0.23 of diluted loss per share using a weighted average number of shares of 15,159,486 shares.

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
Thank you. [Operator instructions]. Our first question comes from the line of Jack Vander Aarde with Maxim.

Q: Good morning, guys. Good to see solid 4Q results. I just had a couple of questions.

Bill, you already touched upon this in some detail, but I'm going to revisit it. So as we look at 2020, you examined all of your acquired businesses over the past few years, up to the latest Shore Fire Media and all the way back to 42West, I'm hoping you can share your thoughts on which businesses you expect to be the least impacted due to COVID-19 implications aside from Shore Fire Media. Then aside from The Door, which of those businesses do you expect to be the most challenged? Where does 42West fit into this?

Bill O'Dowd – Chairman & Chief Executive Officer
Sure. Thanks, Jack, for the compliment. We're very proud of our fourth quarter as well.

42West is benefiting currently from the increase in content on the streaming services and the desire to promote it for market share, quite frankly. We have two new entrants coming into that space in the next couple of months, HBO Max and Peacock from NBC Universal, no longer with the benefit of the Olympics to promote into that launch. They're going to have to rely heavily on originals and the promotion of the content they're going to have on the service to drive awareness of the launch. In this environment, we're seeing a lot of increased efforts by the streaming services for market position, so we anticipate continued increase in programs to promote.

The unknown for us, and it's too early to tell, is the disruption caused into physical production, which I would say impacts our ability to produce, but it impacts the entire industry. So, there are what may not be immediately obvious, there are a lot of things such as this, where you can't gather people. So, if you're going to film a movie, you need 50-100 people or more in one place and you can't do that today, so productions worldwide have stopped. TV shows as well. So, in the short-term, for the next 90 days, that's easily overcome, but if this extends into the third and fourth quarter there will be a backlog of pipeline that may not affect our marketing services, but they'll need to promote something to get people to watch or subscribe. We may have to switch to promoting library content or you might start seeing 10th anniversary specials of things, etc.

But assuming we can resume production at some point in the third quarter, we don't see an overall impact. However, there may be certain actors, actresses, others that may need to take a hiatus, too, if their shows are not going back into production. So that's a variable that could affect the talent division. Of course, that total revenue is less than it was in the past, and especially as our movie and streaming division continues to increase and grow. That's really the driver of 42West.

So, thankfully, in our largest division and our largest group, we're seeing revenue growth and we are also blessed by the timing of the calendar. We only had one festival that we lost business from, Tribeca. Cannes coming up has been deferred for now and we'll see what happens there, but if film festivals either switch to online or it's possible to resume them by the time Labor Day rolls around, we should not see an impact there.

Viewpoint is our smallest company, switching to them. We haven't heard of clients cancelling plans to do videos. It's just trickier for the live production shoots. Again, the larger contracts that involve live production shoots, we are seeing a pullback on timing for those because when can you go and film somebody talking about their products, right? Even if it's a room of four people, five people. But the overwhelming majority of videos we do don't involve that and we use other footage and animation or graphics, so we'll see what's in store for the second quarter for them. But right now, we have not seen a client reduce an order at Viewpoint.

Q: That's fantastic. Then you mentioned some detail, you talked about The Door, how you expect that to be one of the more challenged businesses in this environment. Then you went on to talk about the consumer division, but my line kind of cut out. Can you just revisit what your thoughts are on the consumer division within The Door?

Bill O'Dowd – Chairman & Chief Executive Officer
Sure. It's worth nothing up front, The Door has been and is today an absolutely beautifully run company. Charlie and Lois are fantastic at what they do as working PR professionals, and they also just built a culture and a company that's just exquisite. And, so, it really brings home for us within the Dolphin family of four companies what most of America must be feeling – hard working, growing businesses that all of a sudden are faced with a challenge that is just impossible to have seen. So, the restaurant and hotel business overall, I don't need to tell anyone on this phone call how challenged that is for the next period of time; therefore, the PR of those businesses is challenged.

However, The Door also, many of our long-time followers also remember that we invested in the launch of a consumer products division with The Door in the first quarter of last year. Very happy with the growth of that division led by Nicole Lowe. That's an area that we've always wanted to invest in and grow even further because the corporate clients that want access to pop culture in general will see the benefit of our platform, of our group of companies. That if you are a large corporate client and have products to launch, you'd probably want to tap into pop culture, and that means movies, that means TV, that means music, that means celebrity chefs, that means national events. So, that division of The Door we think, even in these times, actually has tremendous value, so we'll double down on that area while we're trying to weather the storm of the restaurant and hotel business.

Q: Got it. That's helpful. Then just lastly, you've talked about potential impact on each kind of specific business. Can you talk in more detail about what you expect on the cross-selling synergies between these businesses, just that specifically? How much of that is going to be impacted or how much of the growth in what you expected from cross selling synergies to be impacted going forward?

Bill O'Dowd – Chairman & Chief Executive Officer
Well we're positioning it as a great opportunity to show the differentiating factor of what we have. Let's just take a step back. So, we think cross selling will be even more attractive to clients in this environment because they won't have separate budgets for every individual vertical, we believe. Taking a step back, cross selling is the first and obvious advantage of what we've built. Taking perspective for a moment -- a single company owns three of the top fifty PR firms in the country, our belief is we're the only company that owns more than one and all three of those PR firms are in the same industry. It's not like we own a communications PR firms, a lobbying PR firm and a healthcare PR firm. Right? We own three entertainment PR firms.

And then I like to position it, make people think about it, what would you do with it? Well, if you had that collection of PR firms, I think there's a lot you can do with it. And one of those is a very compelling offer to consumer products companies and brands to get their message out in an environment today where much of their marketing dollars, many of their marketing dollars, are going to need to switch to PR and online, because live events are non-existent at the moment and the basic economics don't just dictate that now all of a sudden you have millions and millions of dollars to pay for paid media.

As a matter of fact, the television networks are witnessing a decline in advertising revenue while viewership is up during this time. Why is that? Because the brands don't all of a sudden magically have more dollars. They're trying to figure out how to save dollars. And in that environment, PR is so much more cost effective. So, what we're trying to do is reintroduce our unique platform to reach into pop culture to the world. We've only finished adding the PR piece, the last PR piece that tells us about this compelling story in December. We're three months into having something that's truly unique and we want to take advantage of it. We would be doing that in normal times. And in these times, the opportunities we see are tremendous.

Q: Awesome. Thank you, Bill. That's very helpful. That's it for me.

Bill O'Dowd – Chairman & Chief Executive Officer
Okay, thanks, Jack.

Operator
Our next question comes from the line of Barry Sine with Spartan Capital.

Q: Good morning, folks.

Bill O'Dowd – Chairman & Chief Executive Officer
Good morning, Barry.

Q: I want to continue on the same topic. I thought you did a very good of telling us what you know and what the impacts might be. Just going back to your comments, it sounds like for 42West alone that the current situation may be a net positive because more activity from streaming and the calendar with live events not really impacting award shows and so on. Is that a fair statement?

Bill O'Dowd – Chairman & Chief Executive Officer
I believe so. Certainly, if we're taking a picture of the second quarter, I believe so. Again, it's so hard to predict what the talent situation may be by the end of the quarter. We did lose some business from Tribeca, but streaming services made up for that for April. So yes, I think that we're in as strong a position with 42West as we would have been had this not occurred.

Q: Then The Door, obviously, is going to be most impacted as you've said. I believe, correct me if I'm wrong, I went back and looked in my notes that at the time you acquired them, you talked about that business doing about $6.5 million in annual revenue. Wonder if that's still operative. I'm assuming most of that goes away. As you noted, consumer products is a relatively new business for you.

Then also, on The Door, I'm a little surprised, if I was a restaurant or a hotel and I'm management, I'd be thinking about how do I get people back in once I'm able to open and that's going to be the PR challenge of a lifetime for restaurants and hotels, getting consumers to come back out once some of these stay at home orders are lifted.

Bill O'Dowd – Chairman & Chief Executive Officer
That's a really good point, Barry. That's why this is – I'll try and organize my thoughts. This is an opportunity that – sometimes when you use the word "opportunity," people think going out getting something new. Well in this case with The Door, it's worth reinforcing that we haven't lost any clients. No client left us to go to a different PR firm. The Door's strength and legacy with their clients is so strong, but the restaurant business is so challenged at the moment, so I think there's going to be a 30 day or some period of time window where the restaurant owners

are just simply thinking about what do I do next? How do I apply for the federal aid? How do I make sure that my rent is paid, etc.? But when we start to see the other side of it, then their mind is going to switch to, “Oh my gosh, let me start planning for when I can reopen,” the majority of them that can, and that’s going to be June, that’s going to be July, that’s going to be August. Whatever it is. Then, like you said, Barry, their mind is going to switch to, “Holy sugar, how am I going to make sure I don’t open my restaurant to an empty floor?” So, there’s going to be tremendous demand for the ability to offer PR services. And, where that opportunity is, we expect a rapid take up back to the business, so the existing clients will be there.

Where we see a huge opportunity is the fact that in our world, The Door has a dominant market position, but their competitors are privately held companies. Those privately held companies may not be able to weather this storm. Most likely they won’t. They also tend to be specialists only in restaurants or only in hotels. They don’t have consumer products, they don’t have brand-named celebrity chefs, so those companies are really suffering and they may just decide to fold shop or that they can’t pay their employees, certainly. So, we see an opportunity to take advantage of that, because when we come out the other side, wouldn’t it be great to have 2X or 3X of restaurant and hotel clients because we’re a well-established, premium brand name in that world and these restaurants and hotels are going to need PR.

Operator
The next question comes from John Hickman with Ladenburg Thalmann.

Q: Hi, Bill. Thanks for taking my question.

So, I want to drill down a little bit more into this film, *Sisters Before Misters*. Is that what you call it?

Bill O’Dowd – Chairman & Chief Executive Officer
Yes, that’s our title.

Q: So, why did you pick that one over the other three that you had lined up like a year ago?

Bill O’Dowd – Chairman & Chief Executive Officer
We’re excited for the sports movies. We are. We still want to lead with *Youngblood*. With that said, we spent the last year developing a really -- we’re excited for this slate of both film and television projects. We have a head of Development & Production in New York, Emerson Davis, that has built ten projects on each side as we look to reenter that world with the completion of the Super Group. We were ready to go, quite frankly, and the first movie up, *Sisters Before Misters* was chosen because we felt we could shoot it early in the second half of this year. It’s a wedding comedy. We believe weddings are a happy time. I had a friend of mine recently who debated that somehow. I picture weddings and I think of blue skies and happiness and it’s a comedy, and we thought it would be a good smaller project, more so for a streaming service. We most likely will position that movie for sale to a Netflix or one of the streaming services.

Our sports movies, which are billed for theatrical, we still want to start with *Youngblood*. And as everyone knows, *Youngblood* being a remake of a hockey movie requires snow and winter. So that’s why we announced *Sisters Before Misters* first. We could shoot it before winter and we had the ability to attach a really great director, Lea Thompson, during her hiatus. She was excited to film this before going back into working on a television series in the fall.

Of course now, I don’t know. We’re casting the movie. On one hand, casting should go relatively smoothly because actors and actresses are not working, so they should have more time to read scripts these days. Hopefully we can get the right lead actress we want, but when can we go back into production, that’s an unknown.

Q: Can you talk about how you're funding this, these production activities?

Bill O'Dowd – Chairman & Chief Executive Officer
Well the nice part about the streaming service type movies, and another reason to start with them, is that when you sell it, very similar to television which is where Dolphin started 25 years ago, the commissioning streaming service, or network if it was a television series, pays for the production. And with the streaming services, they do a world-wide buyout. So, they give you the entire production budget plus a percentage of profit on top, so you don't go into production unless you have the order and you know what your profit is going to be when you make it. So, it's a different risk/reward calculation. There's zero risk and you get a defined reward, whereas versus theatrical films, you take some risk and you have an unlimited reward. So, we wanted to start with one of the Netflix type movies, maybe one or two of those, maybe even a television series to start, build up some nice revenue before we launch into the theatrical business.

Q: Thanks.

Bill O'Dowd – Chairman & Chief Executive Officer
Thank you.

Operator
Your next question comes from the line of Allen Klee with National Securities.

Q: Hi. On the financial side, can you tell us the status of the dollar amount of the puts outstanding and your thoughts of resolving that?

Bill O'Dowd – Chairman & Chief Executive Officer
Sure. We're down to a little over $2 million of puts from where it started three years ago at $11 million, so we're almost done. The last of them effectively are finished at the end of this year and we have the cash to pay them and also we know that many of the owners would like the opportunity to also potentially take some of those puts in stock as they've done in the past. So, we're very comfortable and excited that a year from now the puts will be finished.

Q: Great. Then I might have missed this, but the share count that you're using for your diluted shares outstanding, could you just go through that?

Mirta Negrini – Chief Financial Officer and Chief Operating Officer
Sure. So we're using 21,425,506 for diluted. Basically, what we're including in that earnings per share calculation are the puts. It's the only instruments that are not anti-dilutive when we do the calculation.

Q: Okay. Could you just kind of review your thoughts on your balance sheet and liquidity over this stress test period, how you think about that?

Bill O'Dowd – Chairman & Chief Executive Officer
Sure. Well, we are targeting, and still will, 2020 as a good year to improve our balance sheet, especially as our plans were to become cash flow positive here in 2020 immediately, so we feel good about our cash position. We think we're in a position to take advantage of some of those opportunities out there. We expect to renew our line of credit with our commercial bank this week, which is great. We have access to debt, if we want it or need it, which we don't anticipate at this moment. And we also are exploring that we may actually qualify, since we have less than 500 employees, for the federal stimulus package and we'll take a look at that to see if it's compelling with those interest rates as we learn more in the next week or two. So, we're happy with where we stand now and look forward to having what we need if we see opportunities we want to take advantage of.

Q: Thank you. My last question is just understanding your business a little better. If you're doing marketing or PR, is there a way to think about percent of your revenues come from relationships that it's kind of on a recurring monthly basis versus the amount that comes more project event specific?

Bill O'Dowd – Chairman & Chief Executive Officer
Sure. Well, it would vary by company and whatnot, but I would say definitely the overwhelming majority of our revenue is from monthly returns. I'm trying to think across all four companies. Actually, it's tough to answer because the movie and streaming services would be considered project-based, although we have longstanding relationships and sometimes some master Scopes of Work with the studios or streaming services where they add just addendums for which new movies we're doing. Right? So, it's kind of a hybrid there. We know we're going to be promoting X number of movies for the next quarter or the rest of the year. We just don't know as they reshuffle their lineup, which ones we might be promoting that are being released in the third quarter, for example. We certainly know which ones we're promoting for the second quarter.

I guess maybe drilling down to, Allen, let me know if this is helpful, is what percentage of our revenues is tied to live events. Well, the live events business that we promote are certainly flagship type properties. Like when we did the Super Bowl Music Fest, that's a three day concert series and it's high, high, high profile. But as a revenue generator across the companies, on the PR side, those types of high profile live events probably do not even represent 5% of our total business. They're significant in the individual, but there are only so many of those signature live events a year. It's part of the reason why we think that in time getting into the live event production business makes a ton of sense for us, because we can capitalize on the true economics of those and have them occurring around the country on a frequent basis.

We also got lucky on the calendar because the Super Bowl is a big event for us, South Beach Food & Wine is a big event for us, but those have already happened, January and February. And the live events business for us, because it centers so much around the entertainment season, really starts the first week of September. So, the summer season tends to be more concert tours, not film festivals or anything like that. Concert tours are being cancelled, obviously, but the overwhelming majority of Shore Fire's business is in promoting an artist that's not on tour because very few artists are out on tour in any given year. The overwhelming majority of music is online.

There's a good example. We might have, like I mentioned on our call, well over 100 clients on roster in any given month. I would say 98% of those clients are looking for support for single or album release, not live event support. So that gives us an opportunity if we were to get into live events ourselves, but it should not impact our economics too much that the live events business is down for the next quarter or two.

Q: Okay, thank you so much.

Bill O'Dowd – Chairman & Chief Executive Officer
My pleasure. Hopefully that was helpful.

Operator
We have reached the end of the question and answer session. I would now like to turn the floor back over to management for closing comments.

Bill O'Dowd – Chairman & Chief Executive Officer
It always comes so quick. I want to thank James Carbonara for reading the Safe Harbor statement without a cough or a sneeze. Thank you, James. And I want to simply convey that, one, we hope everyone is staying happy and healthy in these trying times. We are certainly looking out for our employees; we have many of them

in the New York area. We've had a handful with coronavirus symptoms and have come through having illness to the other side and we start, first and foremost, thinking about our people.

Then we want to be smart about this time. We've built a beautiful platform that should and has proven to be attractive to companies and individuals alike. Ironically, and in a twist of fate, I wish this were not true, we're more attractive because of this environment. I'm sorry we're in the environment, but we are a very attractive company for the people that work in PR and marketing because we're strong, we're certainly getting through it, and many of the places where they've worked or where they've used as a vendor in the past may not get through this or certainly don't appear to be. So, we're going to see if we can be nimble and take advantage of those opportunities and come out the other side not just as strong as we were, but stronger than we were. So, I hope we'll have more updates along those lines in just six short weeks when we all get back on the phone for the Q.

I thank everyone for their time, as always, and I hope everyone stays healthy in the meantime. Thank you very much.

Operator
Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.