

Transcript of  
Dolphin Entertainment, Inc.  
Dolphin Entertainment Third Quarter 2022 Earnings Call  
November 14, 2022

**Participants**

James Carbonara - Investor Relations, Dolphin Entertainment, Inc.  
Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.  
Mirta Negrini - CFO & COO, Dolphin Entertainment, Inc.

**Analysts**

Allen Klee - Maxim Group

**Presentation**

**Operator**

Good day everyone, and welcome to today's Dolphin Entertainment Third Quarter 2022 Earnings Call. At this time, all participants are in a listen-only mode. [Operator Instructions] Please note this call will be recorded and I will be standing by if you should need any assistance.

It's now my pleasure to turn the conference over to Mr. James Carbonara, Investor Relations. Please go ahead sir.

**James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Thank you, operator. And once again, welcome to Dolphin's Third Quarter 2022 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 statement for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. All statements made on this call, with the exception of historical facts, may be considered forward-looking statements within Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Although the Company believes that expectations and assumptions reflected in these forward-looking statements are reasonable, it makes no assurances that such expectations will prove to have been correct. Actual results may differ materially from those expressed or implied in the forward-looking statements due to various risks and uncertainties.

For a discussion of such risk factors and uncertainties, which could cause actual results to differ from those expressed or implied in the forward-looking statements, please see risk factors detailed in the Company's annual report on Form 10-K, contained in subsequent filed reports on Form 10-Q, as well as in other reports that the Company files from time to time with the Securities and Exchange Commission.

Any forward-looking statements included in this earnings call are made only as of the date of this call. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent knowledge, events or circumstances. Now, I'd like to turn the call over to Bill O'Dowd, Chief Executive Officer of Dolphin Entertainment. Bill, please proceed.

**Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.**

Thanks, James, and hi everyone. Good afternoon. And thank you for joining us today. As you might expect, I'll start off the call by spending some time with breaking news of today -- bringing Socialyte into the Dolphin family, followed by an update on various Dolphin initiatives and a full financial review, and then we'll open it up for Q&A.

So, here we go. I'll begin by giving a brief description of Socialyte. The company was founded in 2011, the early days of social media marketing. Socialyte is an influencer marketing powerhouse, with teams in New York, Los Angeles, Miami and Nashville representing some of the most sought-after creators, from digital-only to celebrity-level talent.

Socialyte has a client roster of more than 125 market-leading influencers, including Jana Kramer, Lauren Bushnell Lane, Catt Sadler, and Mary Fitzgerald. For this high-end roster of talent, Socialyte secures thousands of campaigns each year with such leading brands as Amazon, American Express, Bose, Cartier, Target and more.

So, Socialyte has the talent roster and manages the talent's careers and secures campaigns for the talent. Socialyte has a sister agency Lytehouse, which also came into the Dolphin family, which represents some of the world's most iconic brands, providing the full suite of services for influencer campaigns, from strategy and casting, through execution and delivery, with in-depth analytics and reporting. So Lytehouse comes at it from the brand side, and the company delivers hundreds of campaigns annually with current and recent clients including Airbnb, Amazon, American Express, Ann Taylor, Armani Beauty, Audi, Conde Nast, Etsy, Keurig Dr. Pepper, Michael Kors, Perrier, Prada, Ralph Lauren and W Hotels.

Okay, so, now that you know a little bit about Socialyte, let me describe why this is a highly strategic acquisition for us. I'll give you three reasons. First, this gives us scale in influencer marketing. With Be Social and Socialyte under one roof, we now have what we consider to be the leading influencer marketing agency in the entertainment industry to go along with our three market-leading PR firms in each of their verticals.

200 influencers on roster with hundreds of millions of collective social media followers. And now, we have an unmatched presence in the two U.S. capitals for influencer marketing with New York based Socialyte and Los Angeles based Be Social.

Secondly, that scale allows us to take full advantage of the very strong brand spend growth across influencer marketing. It's not just that in today's Earned Media influencer marketing

represents the “other half” along with PR, it's which verticals we are uniquely positioned across to offer the benefit of the scale we just achieved.

Let me share some relevant stats. The influencer marketing industry has experienced strong double-digit CAGR over the past five years increasing from global brand spend of less than \$2 billion in 2016 to over \$10 billion in 2021 with estimates of more than \$14 billion in 2022 according to Grand View Research. Less than \$2 billion in 2016 and expected to be over \$14 billion this year.

So the industry is one of the fastest growing as any brand marketer can tell you. But which categories use influencer marketing the most? Now you will see why this is so strategic for Dolphin. Again, citing Grand View Research here, in 2021, fashion and lifestyle was the largest segment with 29% of total spend, which is the exact specialty of Socialyte, Lytehouse and Be Social.

Great. We've now built scale, and leadership in the largest segment of the extremely fast-growing influencer marketing industry. But what about additional growth? Well, the second largest segment in 2021 with 23% of total spend was food and entertainment. The exact specialty of Dolphin's three market-leading PR firms.

So over 50% of total brand spend in influencer marketing last year went into fashion, beauty, lifestyle, food and entertainment. The exact verticals represented by our super group. That would be over \$7 billion this year with the industry at 14. Collectively, the Dolphin Companies represent approximately 1,000 clients including global celebrities, feature films, television series, streaming services, musicians, venues, festivals, video game publishers, e-sports teams and leagues, culinary celebrities, hotels, toy companies, consumer product brands and Web 3 and NFT projects, as well as awards campaigns for nominees in over 100 Oscar, Emmy and Grammy categories in 2022 alone.

Speaking plainly, when an influencer is considering where to call home or a brand is considering how an influencer campaign can get them noticed by the general consumer through the broad lens of pop culture and entertainment, we believe we have a unique proposition in the marketplace.

And for our PR firms, the Door cannot open a restaurant or a hotel in today's environment without an influencer marketing campaign. Our PR firm Short Fire would find a strong influencer marketing campaign extremely beneficial in launching a single or album or a concert tour and if you don't think social media is important to launching music these days, you are respectfully living under a rock. You get the idea.

Now the third reason, why this acquisition was so strategic for Dolphin after giving us scale and access to take advantage of the fast-growing influencer marketing industry generally and in our verticals specifically, the third reason why this acquisition was so strategic for Dolphin is because at the elite levels of Socialyte and Be Social, the influencers on rosters themselves have large enough followings to where they are celebrities in their own rights and many have ambitions to be positioned to “crossover” into traditional media and many more have launched a

wide array of consumer products and business centers. Our group is uniquely positioned to take advantage of this market opportunity.

As influencers and celebrities seek to further spread their interest and monetize their platforms and followings, the rate at which they have been launching brands and products continues to rise. The categories of beauty, lifestyle and fashion are particularly well suited to influencer product launches as demonstrated by the countless examples in recent years, perhaps the highest upside growth opportunity for Dolphin's scale is Socialyte and Be Social and it's the focus on pitching, facilitating and sharing and the revenues created by influencer brands and content to generate further recurring revenue and value for Dolphin and its shareholders.

Okay. So, now that you know about Socialyte and our strategic rationale for bringing them into the Dolphin family, let me state that they are growing, and like Be Social, we believe we can grow them even faster by cross-selling their services to clients across our PR firms.

With Socialyte and Be Social, we now expect that influencer marketing will represent 25% or more of our revenues in 2023 and for more than that I don't want to get ahead of our 10-Q and 8-K filings. To share more on those topics we'll wait until after we have released that information.

For final details, Socialyte and its 40 employee team will continue to operate under its own name out of Dolphin's New York and LA offices, with if I say so, the very impressive CEO, Sarah Boyd and its entire staff welcomed into the Dolphin family of agencies. Furthermore, Socialyte Chairman, Evan Luzzatto will continue as an advisor to Dolphin.

All right, cool. Let's shift gears to turn to providing updates on projects where Dolphin and its shareholders have equity in participating in the upside that our best-in-class marketing companies regularly enable for our clients and, by the way, for which going forward, Socialyte will provide another asset to use for the benefit of these ownership stakes.

Since we last spoke in August, we held a soft opening on September 21 from Midnight Theatre, a new restaurant and variety theatre in New York's Manhattan West, Brookfield Properties' latest neighborhood development between 9th and 10th Avenues and West 31st and 33rd streets. The night before our soft opening we prepped the theater with Peacock's premier of new romantic comedy Meet Cute. Midnight Theatre's red carpet was stacked with national media covering the arrival of the film's stars Pete Davidson and Kaley Cuoco. We had a sold out show last Monday with the British singer Raye and while we seek to continue to ramp up the original programming in the theatre through the holiday season and into the winter, by which time we expect to be open every day of the week.

The private events business in the theatre is already off to a terrific start. In the short time since the soft opening, we have held well over a dozen private events, some of which were full buy outs, meaning both the theater and the restaurant, and the clients are top-tier including our programming sponsor Mastercard, as well as Accenture, Ernst & Young, both of them happen to be neighbors inside Manhattan West One Tower and L'Oréal, Paramount, Riot Games for our real cool League of Legends event with Mastercard and SHOWTIME.

Now turning to NFTs, on October 3rd, just after the quarter ended, we were pleased to report that our flagship NFT collection Creature Chronicles, a galactic immersive story telling experience from former Marvel Studios artist Anthony Francisco, sold out in about 90 minutes on the afternoon of Sunday October 2. The first Creature Chronicles collection developed and marketed by Dolphin's Web3 division We Come In Peace was minted on the Solana blockchain and featured 7,777 custom-crafted avatars generating more than 13,175 SOL in primary sales at mint time equaling about \$435,000. We credit the success of the project to the stunning visuals from Anthony, the commitment of our team and the dedication of our community. We are very proud of this success.

With that said though, we are very aware of the recent developments in the crypto space and we'll continue to monitor the space as we decide on prudent paths forward with our NFT business. I would like to point out that Dolphin has no exposure in the pending FTX bankruptcy proceedings and we have no assets inside FTX wallets.

Our most recent announcement in late October was about a partnership with Nina Compton, the James Beard Award Winning chef and owner of Compère Lapin and Bywater American Bistro in New Orleans, to open together ShaSha Lounge, a membership cocktail club and lounge in the Crescent City. Dolphin will be providing marketing services for fees and receiving a meaningful ownership stake in the venture, as well. The announcement was made as part of the first annual Fresh Mint Festival, New Orleans' Web3 conference and festival, where Dolphin executives moderated a panel on how Web3 and NFTs are impacting the face of the food and beverage and hospitality industries.

What I really like about this initiative is its inclusion of a variety of other celebrity chefs and its clear line of sight for national expansion and success. From the get go, five major celebrity chefs have joined the ownership group -- Marc Forgione from New York, Stephanie Izard from Chicago, Michelle Bernstein from Miami, Rodney Scott from Charleston, and Tiffani Faison from Boston. Right about now James Carbonara is salivating.

Each of these chefs will visit New Orleans every year and offer custom menu items and cocktails for the general public and also provide unique experiences for those who become members. That alone immediately distinguishes this concept and if you are a foodie, you know all five of those names to go along with Nina Compton, six of the 12 chefs. But it also allows for the national expansion I mentioned. Upon success in New Orleans, ShaSha can be brought to each of the other celebrity chefs hometowns where they would have control to concept the menu and also take the largest share of profits supported by all of the other chefs in the network for a visit each year.

And in all there will be a total of 12 celebrity chefs in the initial rollout of ShaSha so you can see the scalability of the project. ShaSha Lounge is a truly brilliant concept developed by The Door in partnership with Nina Compton and her management team and it is in alignment with The Doors professional expertise in marketing culinary destinations and the Dolphin's family's passion for charitable giving.

Nina's pledge that a portion of membership sales will go to support future disaster relief in New Orleans is a gracious and forward thinking win-win. And honestly to give Nina her due with the starting point for the creative development of what became ShaSha. And being a native Miamian I know what it's like to get hit hard by hurricanes. So special shout out to Nina Compton on this earnings call.

Thank you for joining us on this ride and to walk through the financials, I'll now turn it over to Mirta Negrini, our CFO.

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

Thank you, Bill, and good afternoon, everyone. I will now discuss results for the quarter ended September 30, 2022. Revenues for the quarter were approximately \$9.9 million as compared to approximately \$9.4 million for the quarter ended September 30, 2021. Overall, operating expenses for the quarter ended September 30, 2022 were approximately \$11 million, compared to approximately \$10.5 million in the same period of the prior year.

Operating expenses are composed of direct costs, payroll and benefits, selling, general and administrative costs, SG&A, acquisition costs, depreciation and amortization, legal and professional fees and changes in the fair value of contingent consideration.

Direct costs decreased by approximately \$200,000 to approximately \$837,000. The decrease was primarily attributable to the decrease in Viewpoint's revenue in comparison with the same period in the prior year as Viewpoint incurred third-party cost related to the productions of marketing materials which are included in direct costs.

Payroll and benefit expenses increased by approximately \$1.2 million to approximately \$7 million, primarily due to additional headcount in 2022 to support the growth of our business and stock compensation issued to our employees under the 2017 plan. SG&A costs were approximately the same during the three months ended September 30, 2022 as compared to the same period in the prior year.

Acquisition costs of approximately \$300,000 were primarily legal and professional fees related to the Socialyte deal. There were no acquisition costs during the same period in the prior year. Legal and professional fees increased by approximately \$300,000 to approximately \$800,000. The increase is primarily due to legal and auditor fees associated with the Lincoln Park agreement and the filing of the S-1 and consulting fees for the implementation of a new enterprise resource planning system. These are all one-time costs.

Operating loss for the quarter ended September 30, 2022 of \$1.1 million includes non-cash items from depreciation and amortization of \$415,836, a gain in the change of fair value of contingent consideration of \$5,000, as compared to an operating loss of \$1.1 million for the quarter ended September 30, 2021, which included non-cash items from depreciation and amortization of \$475,207, and a loss in the change of fair value of contingent consideration of \$1.1 million.

Net loss of approximately \$1.3 million or \$0.14 per share based on 9,664,681 weighted average shares outstanding for basic loss per share and \$0.14 per share based on 9,793,715 weighted average shares on a fully diluted loss per share basis for the three months ended September 30, 2022.

The net loss of \$1.3 million includes non-cash items from depreciation and amortization of \$415,836, a gain in the change of fair value contingent consideration of \$5,000, a gain in the change of fair value of warrants and convertible notes of \$55,642 and loss on the equity investments of unconsolidated affiliates of approximately \$100,000.

Net income was \$141,651 or \$0.02 per share based on 7,740,085 weighted average shares outstanding for both basic and diluted earnings per share for the three months ended September 30, 2021. Net income for the quarter ended September 30, 2021 of \$141,651 includes non-cash items from depreciation and amortization of \$475,207, a loss in the change of fair value of contingent consideration of \$1.1 million, a loss in the change of fair value of warrants and convertible notes of \$278,923 and a net gain of \$1.7 million for the extinguishment of debt.

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

### **Operator**

Thank you. [Operator Instructions] First we'll go to James Carbonara with our Investor Relations.

### **James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Thank you, operator and hi, Bill. Allen Klee of Maxim Group emailed in four questions. The first one is, what is your plan on NFTs, given all that's happening with FTX current prices and volumes?

### **Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.**

Sure. This is unusual. We need to evaluate it, to be quite honest, I mean, the crypto space is obviously in quite a bit of turmoil right now. We've weathered and pushed the launch of Creature Chronicles to out past what was socially the crypto winner of the spring and summer. We had a very successful launch. I don't know where crypto is going to from here and we need to just take it day-by-day without making any hard promises one way or the other.

As I mentioned, Allen, you may not have heard because he is emailing these questions, but as I mentioned in my prepared remarks, we don't have any exposure on the FTX side. And we'll see what it all means as we go forward and live it day by day. We do believe we have an expertise and being able to market in that space and it's proven by Creature Chronicles, proven by the hard work the team does for a variety of clients every day, but I don't know that we can commit today to knowing what the future is going to hold.

**James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Great. And then, his next one, which I think you may have already addressed was, please provide an update on the Midnight Theatre and Hidden Leaf.

**Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.**

Yes, the space is gorgeous, the theater is gorgeous, the restaurant is gorgeous.

Theater is unique. Those walls that are interactive and high fidelity projection will allow for some really cool experiences and we knew -- I was educated on the process -- during the process about how popular space would be for private events and the team believed in that they knew it from beginning. Brookfield was very complimentary of its potential for private events during the construction phase and I think to a sponsor of those private events they all want to come back for more.

So, it's a really nice environment and brand new space. It gives us the private events that are necessary for any venue. The next step is to get our programming right and getting it up seven days a week.

**James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Great. And then, the third of his four questions is, any other changes in 2.0 initiatives?

**Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.**

Well, he probably would have liked the comments about ShaSha. I mean, I know there are some of our folks probably listening to this call that really like the ShaSha model and so do we. It's not just ShaSha -- we do feel like having access to the Super Group only bolstered by Socialyte right now gives us an opportunity to participate in the revenues or profits of the clients or in equity of the clients.

We've done a couple of those deals in the past, ShaSha is one that combines that concept being a client and we can market ShaSha and get paid to market ShaSha, but also have a meaningful ownership percentage in it to help make ShaSha in New Orleans more of a success and hope expand it nationally. So, that's a very good deal for both sides and we feel very good about that.

So, those types of deals where we get a little bit of both worlds -- cash and equity -- are very appealing and congrats to Charlie Dougeillo and The Door for being there from the beginning and for ideating what that could be. So there is an example.

Nina Compton is pretty darn big and a group of 12 chefs is a pretty big deal. And so, I think this just opens up a lounge that's open to the public, but also has a membership program component. So, there is a good example of I think something that we are excited about in 2.0 since we last spoke.



**James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Great. And then, Allen's last question any commentary related to outlook?

**Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.**

Yes, sure. Let's see, well, I mean, obviously, whatever I would have said, before Socialyte, would change with Socialyte, right, and by the way, it's a bit fun in commentary, we don't -- I was thinking about just how to convey it in brief comments, the growth of the influencer marketing industry to those who may not be as familiar with it. I went back and I remember when Dolphin was producing shows at Nickelodeon we were starting to dabble with online content.

This is before Netflix streaming its first original series Lilyhammer back about 2008 we had "Zoey 101" on the air. And I remember having the first conversations with digital groups at CAA and others. And I think Facebook somebody correct me if I'm wrong went public in '06, I think it's about right and I looked up from '08 when we were playing the beginning slates, the original series for AOL and Facebook called Aim High. This is a great journey question. What was the average time an American spent on social media in 2008, two years after Facebook went public, it was eight minutes -- eight minutes a day and last year, it was 2 hours and 24 minutes a day, average. So, it's not a surprise that brands followed eyeballs and the eyeballs of the average American.

So, Socialyte will change things, obviously on both revenue and profit but, as I look back at Q3, am I happy with our revenue growth? I think that had Creature Chronicles gone in Q3 instead of Q4, we would have had a double-digit revenue growth story again year-over-year, we are still on pace for \$40 million of revenue this year without Socialyte.

And I do think that Q3 would look actually different if we didn't have the non-cash charges and the non-recurring expenses and the acquisition costs and the professional and legal fees,

So, if you took away those one-time expenses of the professional and legal fees that are both normal in the transaction costs, and the non-cash depreciation and we would have made probably a small profit and would have been a bigger profit \$0.5 million or so which would have been happier with Creature Chronicles launch two days earlier. But it's -- I think our outlook stays the same, we are happy with the way Q4 is shaping up, what our revenue is going to be and then obviously next year our profits will increase, revenues will significantly increase, both will actually and we are excited about that. So I think that's a fair summary and as I mentioned in the prepared remarks we now have an influencer marketing combination that is equivalent to anyone of our PR firms verticals.

The combination of Socialyte and Be Social will represent about 25% of our company's revenue. And that's very meaningful and that's on par with each of our three PR verticals, right obviously. So, I think that PR and influencer marketing are going to complement each other. Be Social has grown very well within our family and I expect the same with Socialyte.

**James Carbonara - Investor Relations, Dolphin Entertainment, Inc.**

Thank you, Bill. That concludes the questions received from Allen Klee of Maxim Group. I'll hand it back to the operator. Operator?

**Operator**

Thank you. And at this time, this will conclude our Q&A session. I'll turn it back to management if there are any additional or closing remarks.

**Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.**

Man, I missed both Allen's voice and another question. Well, thank you. Thank you for listening and obviously a very exciting day. I don't want to bury the lead and we could not be more thrilled to add Socialyte to the Dolphin family, the management team as I quickly alluded to in the prepared remarks are outstanding, CEO, Sarah Boyd, is very, very impressive and a great leader, same with Amanda Sorenson in New York and Roy Peters in Los Angeles, I really enjoy getting to know them.

I had a lot of respect for the Luzzatto family, Mark and Evan, very kind people and I know that they are going to be allied with Dolphin for years to come and significant shareholders in Dolphin. So, it's an exciting time for Dolphin and I'm very, very happy with this transaction heading into holiday season which as anyone knows is the prime season for influencer marketing, it's not out of the ordinary that half of the year's profits or more can come in the fourth quarter. So, I hope we all have a happy holiday season and if I don't talk to everyone on the call before then, our best to you and yours and I look forward to the next time we get an opportunity to speak. Thank you everybody.

**Operator**

Thank you. This concludes today's call. We thank you for your participation. You may disconnect at any time.