

Transcript of  
Dolphin Entertainment, Inc.  
Second Quarter 2021 Earnings Call  
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**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, ladies and gentlemen. And welcome to the Dolphin Entertainment Second Quarter 2021 Earnings Conference Call. All lines have been placed in a listen-only mode and the floor will be opened for your questions and comments following the presentation.

At this time, it is my pleasure to turn the floor over to Mr. James Carbonara with Investor Relations. Sir, the floor is yours.

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

Thank you, and once again, welcome to Dolphin Entertainment's second quarter 2021 earnings call. With me on the call are Bill O'Dowd, Chief Executive Officer and Mirta Negrini, Chief Financial Officer.

I would like to begin the call by reading the Safe Harbor statement. This statement is made pursuant to the Safe Harbor statement for forward-looking statements described in the Private Securities Litigation Reform Act of 1995.

All statements made on this call with the exception of historical facts may be considered forward-looking statements within 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 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 would 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. Now James has asked me to follow our traditional format where I start by discussing our financials at a high level and then speak about Dolphin 1.0 in the second quarter, and then move to our recent launch of Dolphin 2.0 and announcements regarding NFTs.

But James, hold on to your seat, brother, because I'm going to break from format. This, I realize, may be unconventional. But, I would like to first pay tribute to those who have been following Dolphin since before March 23<sup>rd</sup> of this year. I think everyone knows that date. The one when we made our first Dolphin 2.0 announcement in NFTs and the trading in our stock went nuclear.

No, I want to speak to those who have been with us even before January of this year when we made our last acquisition. Yes, I want to speak to the OG stakeholders and investors, some of whom have followed us since we first spoke of our dream of building an entertainment marketing Super Group at LD Micro in December 2016, when we were an OTC stock and had not even brought 42West into the family.

And I want to speak to those who I met the following year during our Roadshow prior to our uplisting on the NASDAQ in December 2017. Yes, those are the people I want to speak to right now -- to James Carbonara of Hayden IR, who was the first addition to the team after deciding to take Dolphin public in the summer of 2016, and who arranged for that first speaking engagement at LD Micro, I should add.

To John Shaw, Jason Sardo and Keith Goodman of Maxim, who helped us achieve the uplisting to NASDAQ, and have been with us every step of the way since, to Josh Scheinfeld and all of my friends at Lincoln Park, to Tim Johnson at Bard, to Marvin Shanken (Go Canes), to our directors, especially the original independent directors Mike Espensen, Nick Stanham, and Nelson Famadas, who have seen the entire journey, to Mirta Negrini, our CFO who has also been with us since before we were public.

And to all of our CEOs and former private company owners, Amanda, Lois, Charlie, Dave, Marilyn, Ali and Dean, who each share the belief that we are stronger together than any of us

would be alone, and to their senior management teams who care so much about the work they do on behalf of our clients.

And to all of the over 160 Dolphins working with us today. I want to talk to them and all the others like them, those who believed and continue to believe in what we're building here at Dolphin. And so in speaking to all of you, I'm going to be inspired by many of our musician clients and dedicate this song, this earnings call, you know who you are and this earnings call is for you.

So here we go. From a financial perspective, we have reached several significant milestones this quarter. Looking at the P&L, we have set a new record with \$8.6 million in revenues. Please note that this follows Q1, which set a then record of \$7.2 million in revenues. That is 20% sequential growth from the previous record holding quarter. And as you might expect, it is significant growth from last year's Q2 revenues of \$5.2 million, 66% growth to be exact.

Next, looking at our operating income, this is another huge milestone. Since we uplisted to NASDAQ in December of 2017, it's positive for the first time even when including the non-cash expenses, depreciation and amortization. Yes, positive operating income from a microcap entertainment company, even including the D&A expenses from our acquisitions.

From a P&L perspective, that is how we measure ourselves. And so this is a big moment for our company. Now sure, it's fun to report those numbers in the P&L. But for my money, the real story is the balance sheet. As we took on debt to assemble the Super Group, many saw this is our biggest weakness, as our Achilles heel. At first they doubted we could add other private companies into our group. When that started happening with the Door only six months after we joined NASDAQ, they then switch the story and said we wouldn't make it to the point where we could pay off those debts. Actually, they didn't just say it, they proclaimed it. Everyone's entitled to their opinion, of course. And we respect that. But many of those opinions were stated as conclusions, as facts. They were absolutely certain this day would never come.

Well ...

Let's recap where we are then, shall we? In little more than three years since our uplisting, to pull our version of LeBron James maybe, we have acquired not one, not two, not three, not four, but five additional companies to join 42West.

I guess other market leading companies did want to join and create a Super Group after all, who knew? And even doing all of that, from a peak working capital deficit of just under \$16 million, one and a half short years ago and even after bringing in six companies, we're now reporting the first working capital surplus in Dolphin history at \$1.25 million. And since we're a cash positive micro-cap company, we expect this surplus will only continue to grow.

Why is that so important to us? Because that working capital surplus will give us strength on our balance sheet for the next set of acquisitions in 2.0 Investments? For acquisitions on the same terms of any of the six we've already done, for example, we would be able to pay the cash component for any of them from cash currently on our balance sheet.

Obviously, we had not been in this position previously. So this is another huge milestone for us. And speaking of cash, we now have \$9.3 million of unrestricted cash, which is more than all remaining debt.

Yes, all debt, including long-term debt, and including the remaining \$2 million in PPP loans, which we expect to be fully forgiven and which of course will only improve our working capital surplus.

And last but not least, remember all those puts from any of the acquisitions dating back to 2017 totaling \$11 million. Yes, those have been paid in full. Thank you very much, completely off our balance sheet. None left. Not \$1, nada, Zippo. So our balance sheet, what was stated to be a weakness by those who couldn't see beyond it to what we were building. Yes, our balance sheet today, one and a half years later, can only be fairly described as possibly our biggest strength when compared to our micro-cap peers. And let me tell you, that feels so good, so, so, so very good.

All right. Now we can stop giving James a heart attack and I'll go back to his script instead of mine. Let me give you some updates on our Super Group, the companies that are making those great numbers happen.

During the second quarter, 42West was involved in various capacities with 13 films that earned a total of 32 Academy Award nominations and won six Oscars. This past Friday, as movies are slowly coming back to theaters, 42West handled *Respect*, MGM's biographical drama film based on the life of Aretha Franklin. And, looking ahead, upcoming promotional campaigns include some doozies, including Universal Pictures film adaptation of six times Tony Award winning musical *Dear Evan Hansen*, coming in September, MGM's highly anticipated latest installment in the *James Bond* franchise, coming in October, as well as Paramount's *Top Gun 2* starring our very own client, Tom Cruise, coming in November. So we've got major releases coming out one after the other through the fall.

Turning to music. Shore Fire Media had a terrific second quarter, really, really great. Let's spend a little extra time on Shore Fire because Marilyn and the team are truly firing on all cylinders. I'll start with a special shout out to Shore Fire Media clients, Carole King and Todd Rundgren, who are being inducted into the Rock & Roll Hall of Fame. Awesome. And although the return of a full touring calendar is very much a moving target these days, Shore Fire worked with Day One client Bruce Springsteen for his return to Broadway with the summer run at the St. James Theatre, as well as long time clients, Hall & Oates and the Dave Matthews Band, to promote live performances.

But it's not just the artists. Shore Fire represents many businesses from all facets of the music industry, including OneOf, the digital company from Quincy Jones, and Lyte, the ticket reselling platform, among many others. Finally, it should be pointed out that Shore Fire's work with musicians and authors and influencers has attracted a lot of attention and allowed for the growth of a very nice roster of non-musician clients, including former athletes, Shawn Johnson East, excuse me, and Chris Bosh, Go Heat!!!

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Shifting to consumer and hospitality, The Door welcomed iconic ice cream brand, Häagen-Dazs and beloved European baby food brand, Holle, and led campaigns for the Dominic Hotel, Jefferson's Ocean Bourbon and Virgin Hotels in New Orleans. Also, Charlie and Lois of The Door have taken a leadership position for us in these early months of the NFT business, guiding our launches and developing processes to onboard more large scale campaigns, which we'll highlight soon. But I wanted to take a moment to thank them for all of their hard work in this space.

As for video production, Viewpoint, again also had an exceptional quarter producing a wide range of videos, everything from traditional network and entertainment clients, CNN, National Geographic, Viacom and HBO Max, to the rapidly growing consumer product and brand video work done for clients, including PayPal, Biogen and AAA.

And on a personal level, this is a company that cares deeply about charitable opportunities and making a positive impact in the world. So I'd like to highlight Viewpoint's work with The Door to develop strategy and digital content for Leary Firefighters Foundation's International Firefighters' Day broadcast event, which recognizes firefighters and launched the Foundation's virtual training video series with the largest fire training exercise in New York City.

And finally moving to influencer marketing, Be Social was another company that had a fantastic quarter, really executing across both the brand campaign side and the influencer talent management sides of the business. This is what can happen when you've got a young, exciting market leader in such a growing market.

And I honestly think some may be sleeping on this aspect of our company. It was on this earnings call last year that I tried my best to express our great enthusiasm for adding Be Social to our Super Group, explaining that influencer marketing and PR are the twin pillars of earned media, with influencer campaigns representing tremendous growth in our industry. Well, eMarketer and Business Insider recently inaugurated their forecast for this industry with an expectation of 33.6% year-over-year growth to \$3.69 billion in influencer marketing spend in the U.S. in 2021, which is \$1 billion more than 2020.

Furthermore, their forecast for both 2022 and 2023 also showed double-digit growth with total influencer marketing spend nearing \$5 billion in the U.S. in 2023. We very much wanted to be in this space, and we have a gem of a company with Be Social. Their skill set is an advantage for our Super Group, and we'll be sure to leverage it to the fullest extent possible with our 2.0 initiatives.

Speaking of which, let's talk about Dolphin 2.0. As a recap for anyone new on the call or to the Dolphin story, we define the work of our Super Group under Dolphin 1.0 as the very best at marketing pop culture, and we define what we call Dolphin 2.0 as using pop culture to market, specifically marketing assets that we own. Simply put, we are looking to own assets for which our marketing companies have a particular expertise and therefore, which will give us the best chances for success. We want to own what we know we can market better than anybody else.

So, what would those categories be? There are three, entertainment content, live events and consumer products. And we also talked about a fourth category wherein we take equity stakes in other people's companies that have entertainment content, live events or consumer products. Those then are the buckets or categories we talked about when we talked about Dolphin 2.0.

We used the first three years of our public company's existence to build scale and reach across all of pop culture by assembling our Super Group of marketing companies that we think are the very best at what they do in marketing film, television, music, culinary, hospitality, video games, eSports, consumer products, et cetera.

I think after the 1.0 summary I just gave, it would be very difficult for anyone to say that we don't have the best-in-class subsidiaries across all of these verticals. The rest of our lifetimes will now also include developing, producing and purchasing assets that we will own, giving us greater upside and success with these projects.

We previously announced our expectation that we will seek to have two initiatives from each of the four categories per year to guide to a cadence we feel we can achieve. The only exception to this pace will be that we will not start our live events investments until 2022 for obvious reasons.

As pretty much everyone on this call knows, we have previously announced our entrance into the NFT business, which was the first of our two consumer products announcements expected for this year. I can now also say that we've identified our first 2.0 content initiative and our first 2.0 equity stake initiative.

And while we had hoped to be able to speak about both of those initiatives on this earnings call, the timing of our partners dictates that we will probably need to wait until later in this quarter to be able to do so. Those initiatives will give us the first one in each of the three buckets for this year: content, consumer products and equity. And we are hard at work in selecting the second one in each of those three buckets for 2021.

And speaking of the NFT business. Many of you saw the partnership with FTX we announced. FTX's platform and technical skills with the blockchain were the final pieces in the puzzle we felt we needed to have to launch large scale collectible businesses with major partners. I don't think there's anyone on this call that hasn't heard of FTX, but just in case, they are a leading cryptocurrency exchange with over 1 million users and over \$10 billion of average trading volume per day.

Last month, they announced the largest raise in crypto exchange history, a \$900 million Series B round, valuing their company at \$18 billion. And to expand their visibility in the U.S., FTX saw sponsorship opportunities in the sports and eSports industries, which dovetail nicely with our NFT ambitions also in those industries.

Some of FTX's sponsorship highlights include their 19-year naming rights deal for FTX Arena, home of my beloved Miami Heat; their \$210 million 10-year sponsorship of TSM, labeled the most valuable team in eSports by Forbes, the largest sponsorship deal in eSports history; and their groundbreaking deal to become the official cryptocurrency exchange brand of Major

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League Baseball, the first such agreement with one of the major sports leagues in the United States.

So, in summary, we feel our goals and interests in the NFT space are aligned. Now Dolphin will develop and execute the creative branding, production and marketing of these programs, alongside FTX, who will use their crypto exchange services and technical development as the backbone of the marketplaces. Together, we will develop and program global NFT marketplaces targeting all of Dolphin's verticals, including the sports, film, television, music, gaming, eSports, culinary, lifestyle and charity industries.

We see the trading of NFTs as much more than just a list of digital products. We view our marketplace experiences as the future of fandom for internationally recognized brands and franchises in sports and entertainment. To achieve this vision, we need a seamless user experience, because buying NFTs today is the opposite of that. To put it nicely, to buy NFTs today on the Ethereum blockchain, it's clunky. We wanted to be able to have the wallet and the product all in one place.

We wanted to be able to allow the consumer to pay with crypto, credit card or traditional currency. We wanted to have the product available on wholly owned and programmed online destinations. We want to have the same product available for purchase directly in-app. And we also wanted to have actual customer support when necessary, all of which are enormous differentiating factors that FTX either provides now or can provide as we build larger and larger marketplaces, which we intend to do.

To put it simply, Dolphin and many, many others were waiting for the ability to sell NFTs using credit cards and for the elimination of gas fees that prohibit competitively pricing collectibles. There's simply no business rationale for selling products at \$10 or \$20 when it costs you \$100 in gas fees to upload those products for sale.

And by the way, when it would cost the consumer another \$100 to download the product after buying it. Those gas fees are why the NFT markets, primarily up until now, have been dominated by speculative assets like art because they can be priced at \$1,000 or more, where even \$100 in gas fees becomes just a fraction of the cost.

Now with FTX and the ability to take credit cards and the elimination of gas fees, we think for ourselves and honestly, for the major studios and record labels that have predominantly sat on the sidelines as well, waiting like we have been, when you can sell digital products for any price point, like \$25 or less if you want to, then you can create a true market, a true cross industry ecosystem and e-collectibles.

We like the state of the industry and we like our position and experience within it, given that our PR firms have marketed collectibles for virtually every major studio's consumer products division, as well as industry leaders like Funko and Mattel.

We know how to market collectibles. And now, we can make our own and price them competitively. Let's see what happens over the next few months. We're certainly very excited for the possibilities.

And to remind everyone, NFTs only represent one of the Dolphin 2.0 initiatives we expect to announce this year. We believe each of these 2.0 initiatives, including NFTs, have the potential to be a major catalyst for our company. Dolphin 2.0, after having identified the first initiative in content and after identifying the first initiative in equity stakes, is gathering momentum and we can't wait to share more.

And did I mention that we have reported positive operating income on record revenues? Yes, I did, okay. That's good. And how about the fact that we have a working capital surplus with more cash on the books than all remaining debt, including both long-term and the PPP loans, which we expect to be forgiven? I already said that, too, okay, great.

I just want to make sure I didn't forget to mention that we are a profitable entertainment microcap company with a working capital surplus and more cash on our books than total debt before we even start Dolphin 2.0. Okay. I'm just glad I didn't forget to say that.

I'd like to finish my prepared remarks at the same point I started them by saying the most sincere thank you to everyone who had faith in us along our journey. We are far from reaching our fullest potential, and we know that.

But it's also important to celebrate successfully reaching milestones along the way. And I would say that record revenues, positive operating income and a working capital surplus are each absolutely a reason to celebrate.

So with that said, I'll now turn it over to Mirta.

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

Thank you, Bill. And good afternoon, everyone. I will now discuss results for the quarter ended June 30, 2021. Revenue for the quarter ended June 30, 2021, was approximately \$8.6 million compared to approximately \$5.2 million in the quarter ended June 30, 2020.

Overall operating expenses for the second quarter of 2021 were approximately \$8.6 million compared to approximately \$5.4 million in the second quarter of 2020. Operating expenses are composed of direct costs, selling, general and administrative costs, depreciation and amortization, legal and professional fees, and payroll costs.

Direct costs for the second quarter of 2021 were \$833,511 compared to \$656,849 in the same period of the prior year. Selling, general and administrative expenses for the second quarter of 2021 were approximately \$1.2 million compared to \$978,527 in the second quarter of 2020.



Legal and professional fees were \$457,998 in the second quarter of 2021 compared to \$362,853 in the second quarter of 2020. Payroll costs were approximately \$5.6 million in the second quarter of 2021 as compared to approximately \$2.9 million in the second quarter of 2020.

Operating income for the quarter ended June 30, 2021, of \$56,293, included non-cash items from depreciation and amortization of \$478,270, as compared to an operating loss of \$179,038, which included non-cash items from depreciation and amortization of \$496,461 for the same period in the prior year.

Net income for the quarter ended June 30, 2021 of approximately \$1.3 million, included the benefit of approximately net \$1.0 million in non-cash items, primarily from a \$1.0 million gain on extinguishment of debt and positive changes in the fair value of derivative liabilities, warrants and contingent consideration of \$498,974, partially offset by depreciation and amortization of \$478,270.

This compares to a net loss of approximately \$2.9 million, which included non-cash items from depreciation and amortization of \$496,461, a negative change in fair value of derivative liabilities, warrants, put rights, and contingent consideration items in the amount of \$1.7 million and approximately \$0.9 million from the beneficial conversion feature of a certain convertible instruments for the three months ended June 30, 2020.

For the three months ended June 30, 2021, we have basic earnings per share of \$0.17 per share based on 7,664,000 weighted average shares outstanding and diluted earnings per share of \$0.13 per share based on 7,913,396 weighted average shares outstanding.

For the three months ended June 30, 2020, we had basic and diluted loss per share of \$0.62 per share based on 4,719,241 weighted average shares outstanding. Cash and cash equivalents were \$9.9 million as of June 30, 2021, compared to \$8.6 million as of December 31, 2020, including restricted cash of approximately \$0.7 million in each period.

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

**Operator**

Certainly, thank you. [Operator Instructions] We will go first to Allen Klee at Maxim Group. Your line is open, sir. Please go ahead.

**Q:** Thank you. And congratulations, this was really an impressive quarter. A couple of things on the financials to start. The sequential increase in revenue from the first quarter, where did that come from? And any thoughts on the sustainability of it? Thank you.

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

Sure. Allen, thank you. Yes, this is a nice call to be on. Well, I mean, we -- first, on the sustainability, we're excited about the fact that our revenues grew as they did without movies in

theaters and without the restaurant business and without the live touring to a large degree, as we talked about on our last quarter.

So really, I want to give the credit, obviously, to each of the subs because this is where having market leaders in their respective fields makes a difference, they're growing even without certain recovery catalysts. And I think it was a little surprising to many -- the growth we did experience from the first quarter.

I think with Q3 and through the end of this year, I am feeling that we certainly don't see anything that -- there is no one time revenue or event that occurred or something that would -- it was just organic growth. And we anticipate -- we don't see any reason why it can't continue.

And I am not saying though that I think certain of those recovery categories will come back this year. As of right now, at least, as I stated in the prepared remarks, I don't think we are confident. I do not think we are confident in the music business right now, but we're hopeful.

And the restaurants, we're also waiting and seeing. So obviously, that only bodes well for 2022 because I don't think any of us think it will go beyond that. So that's just organic growth across each of the subs.

**Q:** All right. Thank you. I just have a few more financial related questions. If I were to calculate the gross margin, if I took your direct costs and payroll and imagine that as cost of goods sold and came up with a gross margin, that number also improved sequentially.

So the profitability of the gross profits, and I was wondering if you could maybe point to what was behind that and thoughts on the potential for that to improve?

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

Well, to a large degree, it's that we've invested to keep our very best people during a pandemic, right. And in doing so, I'm trying to look beyond the pandemic and when you've got superstars and we think we've got a whole host of them, we wanted to keep them even if they were working at 70%, 80%, 90% capacity and you're starting to see that. I mean look at the margin growth, to your point, Allen. Quite simply the same amount of people were able to handle a little bit more work, and there it is.

And we'd rather invest in the people we have and have them all at full salary and et cetera, than some of our competitors who have been laying off people or what not. So it worked out very well for us this quarter and, we think, going forward.

**Q:** Right. I also -- in the last three quarters, your SG&A has declined sequentially. Could you explain what's going on there?

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

We're pulling it up, Allen, to make sure we -- sure. And that one, I don't know off the top of my head, brother.

**Q:** That's all right. I can move on. So for Dolphin 2.0, where you're owning an asset. In -- big picture, not specific numbers, do you think that the margins of the businesses, in general, when you own it compared to where you're doing the PR marketing that -- how do you think the margins would be for the 2.0 businesses relative to your legacy other businesses?

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

Yes. I mean in one sentence, the thought process is, of course, that when you can own the asset, you make a better margin and gross dollars, too, I might add, than servicing the asset. So I'm excited for the margins we're showing now. And thank you for pointing that out, Allen, that was a sophisticated question you asked previously.

But when we go into 2.0 with successful assets, there's just -- you could service all day long, you'll never get to the margin, ever, that you could do by servicing assets you own, obviously. So speaking as someone who's produced successful television series in the past and digital series and it just doesn't compare on a dollar-for-dollar investment basis.

So as we get -- as our company evolves and includes more and more and more 2.0 initiatives and where we'll be in a quarter, where we'll be three years from now, like we -- I took us on a trip down memory lane in my prepared remarks to thank those who were with us since three years ago, when we laid out the strategy of three years for the Super Group that we could get to this day. I think three years after starting 2.0, the margin profile will be vastly, hopefully, even stronger than it is today because we'll have a much bigger mix of 2.0 to go with our 1.0 revenue.

**Q:** That's great. And on...

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

And by the way, our -- if I could add, our CEOs not only know that. That's why they joined Dolphin, right. The whole point of doing Dolphin, the whole point from -- and it seems timely to reminisce back to the roadshow that, as I mentioned, at LD Micro as Josh Scheinfeld and Tim Bard were listen -- Tim Johnson, sorry, were listening into, then the whole vision was to get to this point so that we could own some of the assets we were marketing.

And that's why each of those private company owners joined the group because they know the margin is better. They know what can happen if you have a successful piece of content or live event or consumer product.

So I think I mentioned it on the 10-K call this year, what 2021 represented for all of us was and is the starting line, and that's why we're so excited. And it's great to be at the starting line with where we are financially, obviously. Sorry, Allen, I know you had another question.

**Q:** No, no, that's fine. Thank you. For NFTs, it seems like the FTX partnership is pretty meaningful and potentially game changing. Could you comment on where you think that can bring this business? And kind of what we can look forward to seeing in '21?

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

Yes, sure. Our friends at FTX probably don't need us to share their selling points, if you will, for them. But obviously, they're a great, well recognized company and doing it very quickly with just a couple of years of existence.

But what they represent for us as we were out there looking at serving the landscape of NFTs, right, and where the business was going to go, right. I think, we, by that, I mean, people that have sold or marketed a collectibles business, not an art business, the collectibles business.

Previously, in the physical world, we needed to create price points that were under \$50 a product, and we needed to create price points in the \$10 to \$25 range, and it just wasn't possible until you could eliminate the gas fees. You needed a different blockchain then -- or a workaround to the current Ethereum blockchain, where NFTs are primarily sold. So that's point number one.

And secondly, to reach all consumers and not just 1% of consumers, you needed to -- you'd be able to have the consumer pay with something other than crypto. So when we were looking for those two things, FTX not only fit those two bills and allowed us to do both of those, but they're an exchange, and they're global -- both the U.S. component to FTX and the international one, too.

So as we have aspirations to do global NFT marketplaces, right, in those industries and music, I mean, there's nothing more global than music, right, film, television, other industries and verticals that are global by nature, right.

Then to be able to accept payment in not just credit card, obviously, it eliminates much of it, but -- and in crypto but in fiat currency too, and with an exchange that's licensed and available globally. And that is the technical partner and the blockchain partner we wanted for what our aspirations are in the collectibles business.

When you think about the promise of digital delivery, right? What's the biggest disruptor in that in our industry in our lifetime, Netflix, right? Well, what did Netflix have that traditional linear cable channels didn't? They weren't bound by national boundaries. They -- they're a global service. It's digital delivery on a global scale. Collectibles can be transformed that same way with digital delivery if you have a partner that can be global.

And a reason to highlight those two or three sponsorship deals FTX did -- and I'll state the obvious here, but I think it's implied. You can't just drop a check and name a major sports arena in this country, right. If you -- they named an NBA franchise's arena and they're the official partner of Major League Baseball.

Altogether, either one of those deals, you're vetted six ways to Sunday, right. This is an exchange that in the U.S. follows the KYC compliance, know your customer. They follow AML, anti-money laundering laws. They have to be, to be endorsed and accepted by two of the four major sports leagues and the only cryptocurrency exchange by any.

So we can't feel more comfortable with our choice of partner and their technological expertise is exactly what we want in the market to seek as we got closer to this fall as we have aspirations, again, for global collectibles marketplaces. And so we're excited about the partnership. We've enjoyed our time with them so far, and there's a lot more to come.

**Q:** It seems like what FTX -- and one of the other opportunities, and I think you might have -- you did touch on this is -- but the NFT market could potentially be transforming from more of a high end art market to more collectibles lower end. And so we may not even know if we're looking at what's happened this year with high end, what the real opportunity is as this market is being created for a different type of product. What do you think about that?

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

Yes. I think -- I don't think we'll even need a three year horizon. I'd be surprised at 12 months from now. Whatever we're calling NFTs today, and maybe a branding or marketing campaign will change that, right. Whatever that is 12 months from now, will be a market that's bifurcated. There still will probably be an art or a speculative market aspect to trading on the blockchain. I don't think it will go away. It's not something we have any particular interest in or our expertise in.

But I imagine a world in which the major studios are launching their own collectibles, from Disney to Paramount to Universal to Warner Bros. to Sony, to the major record labels, Sony Music, Warner Music, Universal Music. That's a lot of marketing, that's a lot of firepower. That's a lot of pop culture recognition across the general consumer population. I mean, they'll be almost unavoidable that products are being offered.

And I think -- and if you have custom interfaces, which we're getting to, and if you have the ability to pay with a credit card, then purchasing and an NFT is going to be indistinguishable from purchasing a mug on eBay or a product from Amazon, right. You're going to go to a custom interface website and you're going to purchase something.

So I think if that is all grouped under the umbrella of what an NFT business is, great. If it's something -- if it's just seen as just more -- if it's just seen as what it will be, selling consumer products and tickets to experiences and unlocking value for collectors or value for people buying these digital products in real world benefits, too, then it's going to look vastly different. And it will be -- it will -- it has the potential to boom is why we're excited to be in it.

I mean, the dollar amounts in the NFT space have been reported widely up until now. But if someone really wants to think about it, how many people, gross number of people in the U.S. have bought an NFT today. I do not believe it would have been -- I don't think that number would reach 1 million people.

12 months from now, we might have 10 million, 25 million, 50 million people who have bought what we call an NFT, which is a collectible that just happened to be delivered on the blockchain. So it's an exponential growth of the consumer base, and that's what we see coming and why we want to play in that space.

**Q:** Last question. How do you feel about the environment for producing an independent film?

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

Better. I do. I don't want to get ahead of my skis on what any of our content initiatives that we may know are coming, but I would say that I do feel better, Allen. The industry is coming back. Production insurance, while not solved completely, is getting into a place where I feel that there will be more independent production starting even as early as Q4 this year, certainly Q1 of next year.

And without having to take the very expensive burden of risking a COVID outbreak on set. So I do feel good about production, and I'd be surprised if we aren't able to take advantage of opportunities in the filmed entertainment space in the coming months.

**Q:** That's great. Congratulations. Thank you.

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

Thank you, Allen.

**Operator**

And with no other questions holding, I'll turn the conference back to Mr. O'Dowd for any additional or closing comments.

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

Well, thank you. I was looking forward to a second questioner. But, Allen, as usual, he's very thorough. So he probably took a lot of people's questions. And thank you for those.

And I'm excited for what's to come. I think by the time we speak again in this format in 13 weeks in the middle of November, I imagine we'll have quite a few hopeful additional topics to talk about than what we are free to talk about today. And maybe that's just all part of the plan. It allows today to be a celebration of those three milestones we hit. It certainly feels great as I think you probably sensed from my prepared remarks.

Record revenue.

Congratulations to each of the companies within Dolphin, to report positive operating income even after the depreciation and amortization, which is higher for our company than others



because we've been an acquisition story up until now. It is really a fabulous milestone since listing on NASDAQ.

And of course, our working capital surplus. We've got a great balance sheet that's only going to improve. And I'm very, very thankful for those who believed in us from day one, and we picked up along the way. And this type of validation, I'm sure, is very comforting for them.

So thank you, everybody, that's been listening, and I appreciate the time. And we look forward to speaking again in the next quarter and see what we can talk about. Have a great day.

**Operator**

Ladies and gentlemen, that will conclude today's conference. We thank you for your participation. You may disconnect at this time. And have a great day.