

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 14, 2020

**ALLIED ESPORTS ENTERTAINMENT, INC.**  
(Exact Name of Registrant as Specified in Charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**001-38266**

(Commission  
File Number)

**82-1659427**

(I.R.S. Employer  
Identification No.)

**17877 Von Karman Avenue, Suite 300**  
**Irvine, California, 92614**  
(Address of Principal Executive Offices) (Zip Code)

**(949) 265-2600**  
(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	AESE	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 7.01 Regulation FD Disclosure.**

Attached as Exhibit 99.1 is an updated Company presentation deck, and attached as Exhibit 99.2 is a press release that the Company filed on September 14, 2020. The information under this Item 7.01, including the exhibits attached hereto, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information under this Item 7.01 shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Press Release issued September 14, 2020</a>
99.2	<a href="#">Company Presentation Deck</a>

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 14, 2020

**ALLIED ESPORTS ENTERTAINMENT, INC.**

By: /s/ Anthony Hung  
Anthony Hung  
Chief Financial Officer

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Press Release issued September 14, 2020</a>
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#### ALLIED ESPORTS ENTERTAINMENT, INC. CLARIFIES CERTAIN REPORTED INFORMATION

**IRVINE, Calif. (September 14, 2020)** – Allied Esports Entertainment, Inc. (NASDAQ: AESE) (the “Company”), a global esports entertainment company, is providing information to its investors to clarify certain information about the Company, its finances and operations that was publicly disseminated based on an interview on September 11, 2020 with the Company’s CEO, Frank Ng. For the benefit of our investors, the Company provides the following clarifications:

- As has previously been disclosed publicly, the Company is in partnership with Simon Equity Development, LLC and its affiliates (“Simon”) to develop esports venues in Simon-owned and operated malls around the U.S. The Company continues to have regular dialogue with Simon regarding the impact of the COVID-19 crisis and the subsequent rollout of planned retail locations.
- Although the Company’s World Poker Tour (“WPT”) business has partnered with DraftKings Inc. (“DraftKings”) in the past for sponsorship opportunities, and the Company and DraftKings have discussed potential business opportunities from time to time as the Company does with many similarly situated potential business partners, there is no current agreement in place between the Company and DraftKings for future poker or esports partnerships.
- The Company continues to assess potential financing transactions with third parties, whether dilutive or not, to ensure the Company has sufficient capital to operate its business and increase shareholder value.
- The Company cannot speculate about why shareholders elect to sell shares of the Company; however significant recent insider sales, but not all sales, were “sell to cover” transactions to satisfy the withholding taxes assessed against our insiders as a result of the issuance of shares as bonuses in lieu of cash, and the lapse of restrictions on their shares previously issued. All of these share issuances have been previously disclosed to the public, and the Company believes that all sales have been properly reported by its insiders.

#### **About Allied Esports Entertainment**

Allied Esports Entertainment, Inc. (NASDAQ: AESE) is a global esports entertainment venture dedicated to providing transformative live experiences, multiplatform content and interactive services to audiences worldwide through its strategic fusion of two powerful entertainment brands: Allied Esports International, Inc. (Allied Esports) and the World Poker Tour (WPT).

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Allied Esports is an award-winning, innovative esports company comprised of a global network of dedicated esports properties and content production facilities. Its mission is to connect players, streamers and fans around the world through integrated arenas, including its flagship venue, HyperX Esports Arena Las Vegas, its fleet of mobile esports trucks, the HyperX Esports Trucks, the HyperX Esports Studio, and affiliate members of the Allied Esports Property Network, which serve as both competition battlegrounds and everyday content generation hubs.

World Poker Tour is the premier name in internationally televised gaming and entertainment with brand presence in land-based tournaments, television, online, and mobile. WPT ignited the global poker boom in 2002 with the creation of its iconic television show, now in its 18th season, based on a series of high-stakes poker tournaments. ClubWPT.com is a unique online membership platform that offers inside access to the WPT.

For more information about Allied Esports Entertainment, Inc. and its subsidiaries, please visit [AlliedEsportsEnt.com](http://AlliedEsportsEnt.com).

#### **Forward Looking Statements**

This press release includes “forward looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. When used in this press release, the words “estimates,” “projected,” “expects,” “anticipates,” “forecasts,” “plans,” “intends,” “believes,” “seeks,” “may,” “will,” “should,” “future,” “propose” and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of the parties, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Important factors, among others, that may affect actual results or outcomes include: the ability to meet Nasdaq’s continued listing standards; the Company’s ability to execute on its business plan; the ability to retain key personnel; potential litigation; the ongoing effects of the COVID-19 pandemic; and general economic and market conditions, impacting demand for the Company’s services. These and other risk factors are discussed in Company reports filed with the Securities and Exchange Commission. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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**ALLIED  
ESPORTS  
ENTERTAINMENT**

September 2020



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# FORWARD LOOKING STATEMENTS



This presentation includes “forward-looking statements” under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Allied Esports Entertainment, Inc’s (the “Company”) actual results may differ from its expectations, estimates and projections and, consequently, you should not rely on these forward looking statements as predictions of future events. Words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believe,” “predict,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside the Company’s control and are difficult to predict. Factors that may cause such differences include, but are not limited to: (1) the ability of the Company to grow and manage growth profitably, maintain relationships with suppliers and obtain adequate supply of products and retain its key employees; (2) general economic conditions and those particularly affecting the industries in which the Company operates; (3) changes in applicable laws or regulations; (4) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; and (5) other risks and uncertainties to be indicated from time to time in the Company’s filings with the Securities and Exchange Commission (the “SEC”) and the risks identified in the Company’s annual report on Form 10-K for the year ended December 31, 2019, as amended.

The foregoing list of factors is not exclusive, and readers should not place undue reliance upon any forward-looking statements, which speak only as of the date of this presentation. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

Some of the financial information and data contained herein is unaudited and does not conform to SEC Regulation S-X. Furthermore, it includes certain financial information (Adjusted EBITDA) not derived in accordance with United States Generally Accepted Accounting Principles (“GAAP”). The Company believes that the presentation of these non-GAAP measurements provides information that is useful as it indicates more clearly the ability of the Company to meet capital expenditures and working capital requirements and otherwise meet its obligations as they become due. However, this should not be construed to replace GAAP figures, and such information and data may be adjusted and presented differently in the Company’s filings.

# ALLIED ESPORTS ENTERTAINMENT OVERVIEW



## BUSINESS BACKGROUND

- Allied Esports Entertainment is a global esports entertainment company powered by two of the largest brands in the rapidly emerging multi-billion-dollar competitive esports and entertainment sector — Allied Esports and the World Poker Tour (“WPT”)
- Company generated \$26.1M of revenues in FY 2019
  - WPT has been producing steady growth and accounted for \$18.5M of revenues in 2019 (~70%)
  - Our emerging, high potential esports business generated \$7.5M in 2019
- AESE became a publicly traded company via a reverse merger transaction which was completed on August 9, 2019

## RECENT HIGHLIGHTS

- Successful strategic pivot to online businesses in Q2 in response to ongoing COVID-19 pandemic
- Q2 revenues decreased 38% to \$4.6M from \$7.3M YoY, primarily due to decreased In-person and Multiplatform Content revenues as a result of the COVID-19 pandemic and shelter-in-place orders, partially offset by 34% revenue growth in Interactive Services.
- World Poker Tour shifted events that were previously held in-person to the online and interactive environments, experiencing strong online growth and ClubWPT subscription revenue growth of 50% YoY.
- Despite decline in Q2 revenues, Q2 Adjusted EBITDA came in at (\$1.3M) representing best quarter since becoming public company.

<sup>1</sup> As of 8/31/20 | <sup>2</sup> Pro forma as of 8/9/20 | <sup>3</sup> As of 6/30/20

Exchange / Ticker:	Nasdaq: AESE
Last Sale Price:	\$1.75 per share <sup>(3)</sup>
Total Common Shares Out:	28.2 million <sup>(2)</sup>
Market Capitalization:	\$51.1 million
Total Cash & Equivalents:	\$14.2 million <sup>(3)</sup>
Total Debt Outstanding:	\$13.0 million <sup>(3)</sup>
Headquarters:	Irvine, CA

<b>Strategic Investors</b>	
<b>Notable Partners</b>	  

# MANAGEMENT TEAM



Industry Leading Management Team with Significant Experience in the Technology, Gaming and Entertainment Industries



 **FRANK NG | CEO**

 **ANTHONY HUNG | CFO**

 **ADAM PLISKA | CEO <sup>(1)</sup>**

 **JUD HANNIGAN | CEO <sup>(2)</sup>**

 **DAVID MOON | COO**

<sup>1</sup> CEO of World Poker Tour | <sup>2</sup> CEO of Allied Esports International Inc.

# COMPANY HIGHLIGHTS



## Allied Esports Entertainment is well positioned in the rapidly growing global esports industry



### Large & Growing TAM

- Large and underserved global audience of **2.7 billion gamers** with esports revenue growing at a ~22% CAGR from 2016 – 2019 <sup>(1)</sup>
- Esports viewership is expected to grow at a ~ **10% CAGR** from 2019A through 2023E and is already surpassing all major sports viewers with **443 million** at the end of 2019 <sup>(1)</sup>



### Proven Business Model

- World Poker Tour has been a consistent revenue growth driver since its formation over 18 years ago
- Multiple revenue streams provide diversified growth and flexibility



### Experienced Management

- Decades of expertise in the gaming and entertainment industry including ESPN, Universal and NHH
- Management of other online platforms with over **700 million registered users**



### Tier -1 Partnerships

- Simon, Brookfield and TV Azteca partnerships aligned to execute and grow Three Pillar strategy
- Created and maintained tier-1 industry partnerships including Fox Sports, HyperX, MGM Resorts and Zynga



### High Barrier to Entry

- Can leverage existing owned and operated infrastructure with the ability to significantly scale with Simon and Brookfield's 350 malls and create a dominating property network with lucrative business strategies.
- 18-year WPT brand driving sponsorship, on demand content and growth in the ClubWPT subscription business

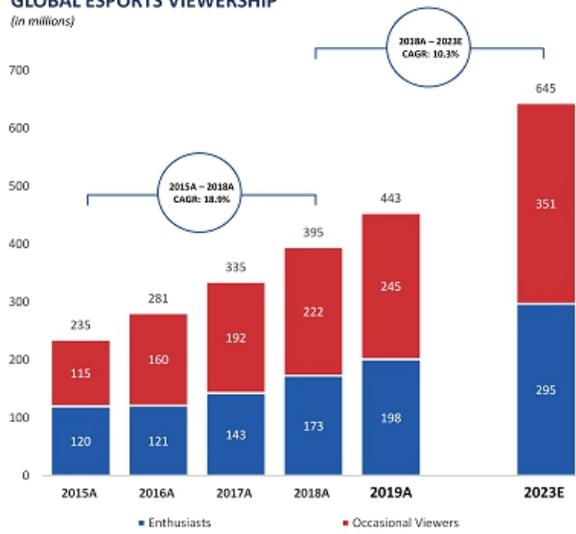
<sup>1</sup> NewZoo, Nielsen

# ESPORTS IS THE NEXT FORM OF GLOBAL ENTERTAINMENT

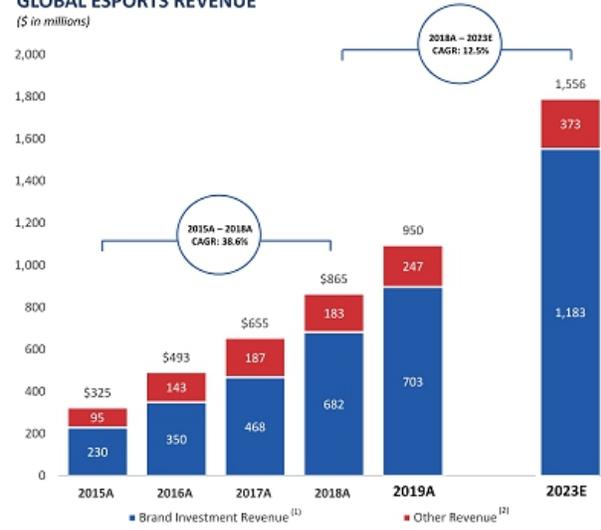


Esports revenue and viewership growth outpace the broader gaming and entertainment markets, led by brand investment through sponsorship, advertising and media rights deals

**GLOBAL ESPORTS VIEWERSHIP**  
(in millions)



**GLOBAL ESPORTS REVENUE**  
(\$ in millions)



Source: Newzoo | <sup>1</sup> Revenue from sponsorship, advertising and media rights | <sup>2</sup> Revenue from merchandising, tickets and game publisher fees

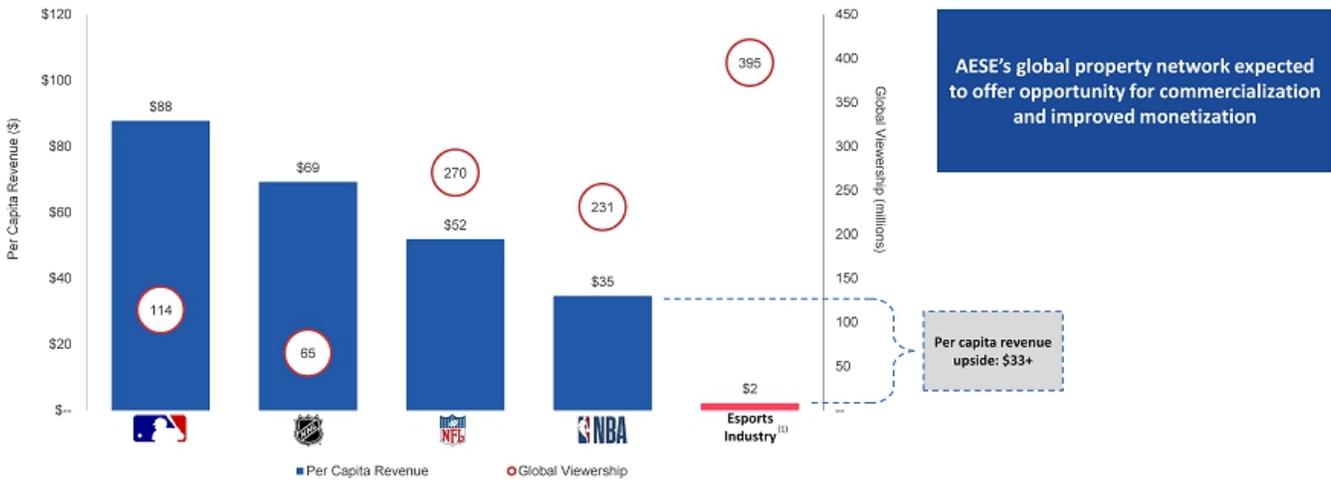
# ESPORTS VIEWERSHIP RIVALS MAINSTREAM SPORTS LEAGUES



As viewership eclipses many traditional sports, monetization has lagged; significant per capita revenue upside remains to be realized as the esports ecosystem matures

## Esports Momentum vs. Mainstream Sports

(2017A Global Viewership and Per Capita Revenue)



Source: CBS, ESPN, Forbes, Marketwatch, Nielsen, Newzoo | <sup>1</sup> Reflects 2018A

# THREE PILLAR SYSTEM



Utilizing World Poker Tour's powerful and proven business model: The Three Pillar System



### IN-PERSON EXPERIENCES

The creation of engaging live events catered to a dedicated fan and player base



### MULTIPLATFORM CONTENT

The development of proprietary content that promotes the first pillar while expanding its customer base



### INTERACTIVE SERVICES

The monetization of the ecosystem through online products and services

# WORLD POKER TOUR

SUCCESSFULLY EXECUTING THREE PILLAR MODEL SINCE 2002



## WPT GLOBAL FOOTPRINT



## WPT INTERACTIVE SERVICES



## WPT DISTRIBUTION



## IN-PERSON EXPERIENCES

- Global main tour of 60+ events across four continents
- Awarded over \$1 billion in prize monies to date

## MULTIPLATFORM CONTENT

- 17 successful seasons across various networks, including Fox Sports, where show currently resides
- Globally broadcasted in 150 countries and territories in its 18-year history

## INTERACTIVE SERVICES

- ClubWPT-online subscription platform launched in 2008
- Multi-year partnership with Zynga to host tournaments on Zynga Poker platform
- Launched poker and social casino site WPTGO in Mexico

## LOOKING FORWARD

- Real-money gaming
- Sports book & Casino affiliate
- Sport book – WPT – Sanctioned Events
- International expansion



# IN-PERSON EXPERIENCES



## HYPERX FLAGSHIP ARENA



## MOBILE ESPORTS TRUCKS



## IN-PERSON REVENUE DRIVERS

### B2C



Gaming



Ticketing



Food & Bev



Merchandise

### B2B



Venue Rentals



Sponsorship

## OWNED & OPERATED ASSETS

- HyperX Esports Arena Las Vegas has become one of the world's most prominent esports destinations
- Mobile esports trucks allow corporate sponsors to reach a large audience in multiple locations at an economical cost with appearances at the Super Bowl, NASCAR races, music festivals, E3 and many other major events
- Owned and operated and affiliate-operated assets in the U.S., Europe and China with Australia expected to open in 2020
- Prior to COVID pandemic, esports revenues grew to \$7.5M in 2019 versus \$4.3M in 2018

## PREMIER EVENTS



LEAGUE OF LEGENDS  
ALL-STAR 2018 & 2019



CAPCOM CUP  
2018 & 2019



NHL WORLD GAMING  
CHAMPIONSHIP 2018 & 2019



NBA 2K THE TURN 2019



NINJA VEGAS '18



PLAYTIME WITH  
KITTYPLAYS

# STRATEGIC PARTNERS PROVIDE KEY ADVANTAGES

(Activities temporarily suspended during COVID-19 pandemic)



**SIMON PROPERTY GROUP**

- Strategic investment in AESE by Simon, a leading mall operator of premier shopping, dining, entertainment and mixed-use destination properties across North America, Europe and Asia
- Partnership with AESE to deliver esports experiences through integrated gaming venues and production facilities at select Simon destinations
- On-Mall venues
  - Targeting ~10,000 sq. ft. spaces in high-traffic malls
  - Can leverage Allied’s content production hub in Las Vegas Arena
- Simon Cup
  - Seasonal tournament series in regional markets
  - Culminated in Grand Final at HyperX Esports Arena in Las Vegas in Nov 2019



**Simon Cup**

**PICK UP YOUR GOLD TICKET AT SIMON GUEST SERVICES AND START COMPETING ONLINE TODAY!**

ONLINE REGIONAL QUALIFIER: SEPT. 30 - OCT. 14 REGIONAL FINALS @ BROOKFIELD FIELD MALL: OCT. 14-17

**A CHANCE TO WIN A \$50,000 SHOPPING SPREE AND A TRIP TO THE FORTNITE ARENA LAS VEGAS FINAL!**

VISIT [SIMONCUP.COM](http://SIMONCUP.COM) FOR MORE INFORMATION

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**BROOKFIELD PROPERTIES**

- Brookfield Property Partners, a strategic investor, and a premier real estate company will add Allied Esports’ new on-mall esports venue concept to its existing retail destinations
- The combination will allow Brookfield and AESE to collaborate on the development of dedicated esports venues and gaming experiences designed for tournament play
- PCs and consoles will be available for daily use as well as complete broadcast and streaming production capabilities, full food and beverage option and retail experiences
- 110 best-in-class malls located in high traffic gateway cities
- \$5 Million investment reserved for the build-out of two on-mall venues



# MULTIPLATFORM CONTENT



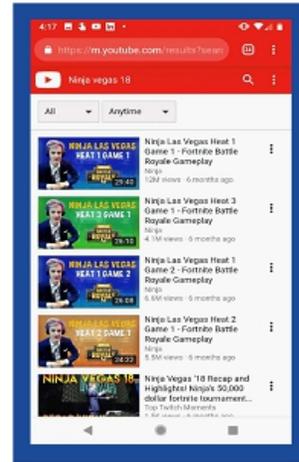
Allied Esports Entertainment generates content for consumption **24 HOURS** a day, **7 DAYS** a week



LIVE STREAMS



BROADCAST SHOWS



DIGITAL VIDEOS

# CAPITALIZING ON THE RAPID GROWTH OF ESPORTS BETTING



“Esports will be one of the biggest categories in sports betting over the long term”

- Jason Robbins, CEO



# \$14B

2020 Global Esports Betting Revenue Forecast<sup>2</sup>

Allied Esports is well positioned to create consistent events designed to maximize data and video licensing opportunities for the company in the rapidly growing esports betting industry.



AUGUST 31 – SEPTEMBER 13

## SPECIFICALLY DESIGNED FOR SPORTS BETTING

The VIE.gg CS:GO Legend Series is an online tournament with top teams from around the world competing in an event format designed to create the most amount of wagering opportunities with up to 9 games per day over 14 days that feature dynamic live odds and additional wagers discussed and displayed in the broadcast.

## RECENT HIGHLIGHTS & ACTIVITY



July 9, 2020 - **Licensing and Sponsorship agreement** with Esports Entertainment Group (Nasdaq: GMBL) and their online sports book VIE.gg for Legend Series



August 20, 2020 – **Multi-year licensing agreement** with GRID for global monetization of data and video rights for Legend Series



August 31, 2020 – Allied Esports joins Esports Integrity Commission to **ensure enforcement of gaming regulations** and conduct



September 2, 2020 – New Jersey Division of Gaming Enforcement approves VIE.gg CS:GO Legend Series as **first esports betting opportunity in New Jersey**

<sup>1</sup> DraftKings Q2 2020 Earnings Call | <sup>2</sup> ProdegeMR

# INTERACTIVE SERVICES



- Modeled after long-time operating WPT Interactive Services strategy that includes subscription model ClubWPT and social gaming models PlayWPT, WPTGO and partnership with Zynga
- Currently host online esports events through platform created to run Simon Cup
- Plan to enhance and develop subscription-based online platform where esports players and fans can watch, play and win with other members of the esports community and top esports personalities
- Subscriptions will provide members with exclusive access to numerous unique and proprietary experiences, products and services that are not available outside of Allied Esports' ecosystem
- Authenticity and reach of Allied Esports' in-person experiences and multiplatform content viewership will drive platform adoption by esports fans



### Value Proposition to Fans and Gamers

Exclusive access to unique and proprietary experiences, products and services



### Monthly Subscription Service

Targeting \$6.95 – \$9.95 per month (base)



### User Acquisition Strategy

Leverage the streamer affiliate program within the first two pillars

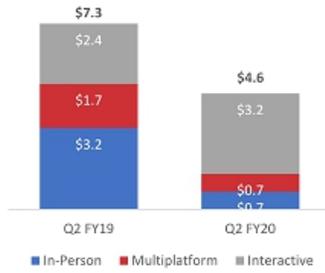


# FINANCIAL HIGHLIGHTS



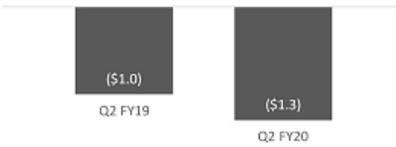
## REVENUE | SEGMENT ANALYSIS

(\$ in Millions)



## ADJUSTED EBITDA

(\$ in Millions)



## Balance Sheet

(\$ in Millions)

	Period Ending 6/30/20
Cash & Cash Equivalents	\$14.2
Current Assets	\$16.3
<b>Total Assets</b>	<b>\$69.9</b>
Current Liabilities	\$17.8
Total Liabilities	\$25.9
<b>Total Stockholders' Equity</b>	<b>\$44.0</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$69.9</b>

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# FINANCING ACTIVITIES



## SUCCESSFUL COMPLETION OF TRANSACTIONS TO ADDRESS CONVERTIBLE DEBT OBLIGATIONS

- During the second quarter, the Company completed a series of transactions to address approximately \$14.0 million of convertible debt obligations that were scheduled to mature in August 2020. These transactions included:
  - On May 22, 2020, Knighted Pastures LLC, the holder of a convertible bridge note with original principal of \$5.0 million, and who previously converted \$2.0 million of that principal into an equity stake in the Company on April 29, 2020, agreed to convert the remaining \$3.0 million of principal on its convertible bridge note into the Company's common stock. As part of this conversion and restructuring of its investment, Knighted Pastures also agreed to an 18-month extension on \$1.4 million of accrued interest originally due in August 2020.
  - Two additional convertible bridge note holders, collectively holding \$2.0 million in principal of the Company's debt, also agreed to an 18-month extension on the maturity of their respective holdings.
  - A consortium of institutional investors agreed to refinance, net of fees and interest, the remaining \$7.0 million in convertible bridge note principal and the associated accrued interest held by the Company into senior secured notes maturing in 24 months.

# GROWTH CATALYSTS



- 1 Leverage Existing Partnerships**
  - Simon and Brookfield combine for approximately 350 malls providing entrance into additional on-mall esports venues
  - Existing partnerships with leading real estate operators allows for a full-spectrum viewing experience for consumers (e.g. trucks to arenas)
- 2 Major US Network**
  - Long-tenured relationship between WPT and Fox Sports allows for a possible entry point into a major US network presence for Allied Esports
  - Ability to leverage TV Azteca's proven esports distribution model in Latin America to facilitate partnerships with major US networks
- 3 International Expansion**
  - Major US network presence will lead to linear televised distribution as evidenced by WPT's current global reach (broadcasted internationally in 23 territories across 29 networks)
  - According to Newzoo, Asia Pacific region accounts for 50%+ of global esports enthusiasts, representing a key focus area going forward
- 4 Real-Money Gambling**
  - Real-money gambling companies have expressed interest in leveraging WPT's platform and global reach which could result in an increase in sponsorship and marketing revenues
  - Sports betting will lead to an increased audience for esports enthusiasts
- 5 Subscription Revenue Growth**
  - The anticipated roll-out of esports subscriptions will offer subscribers access to unique content, competitions, and in-person events resulting in higher engagement levels within a higher margin revenue stream
  - WPT's launch of ClubWPT's Diamond Club initiative provides a high value subscription product leading to incremental growth to the business

APPENDIX



# NON-GAAP RECONCILIATION



EBITDA and Adjusted EBITDA are non-GAAP financial measures and should not be considered as a substitute for net income (loss), operating income (loss) or any other performance measure derived in accordance with United States generally accepted accounting principles ("GAAP") or as an alternative to net cash provided by operating activities as a measure of AESE's profitability or liquidity. AESE's management believes EBITDA and Adjusted EBITDA are useful because they allow external users of its financial statements, such as industry analysts, investors, lenders and rating agencies, to more effectively evaluate its operating performance, compare the results of its operations from period to period and against AESE's peers without regard to AESE's financing methods, hedging positions or capital structure and because it highlights trends in AESE's business that may not otherwise be apparent when relying solely on GAAP measures. AESE presents EBITDA and Adjusted EBITDA because it believes EBITDA and Adjusted EBITDA are important supplemental measures of its performance that are frequently used by others in evaluating companies in its industry. Because EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income (loss) and may vary among companies, the EBITDA and Adjusted EBITDA AESE presents may not be comparable to similarly titled measures of other companies. AESE defines EBITDA as earnings before interest, income taxes, depreciation and amortization of intangibles. AESE defines Adjusted EBITDA as EBITDA excluding stock-based compensation and impairment losses.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA from net loss, AESE's most directly comparable financial measure calculated and presented in accordance with GAAP.

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net loss	(10,880,729)	(2,811,286)	(19,657,198)	(6,665,438)
Interest expense	862,906	66,890	1,545,846	66,890
Depreciation and amortization	1,767,832	1,731,662	3,592,297	3,417,844
Federal, State, and Foreign Tax	212,457	(5,354)	212,500	-
<b>EBITDA</b>	<b>(8,037,534)</b>	<b>(1,018,088)</b>	<b>(14,306,555)</b>	<b>(3,180,704)</b>
Stock Based Compensation	331,638	-	4,335,473	-
Impairment expense	1,138,631	-	1,138,631	600,000
Conversion inducement expense	5,247,531	-	5,247,531	-
<b>Adjusted EBITDA</b>	<b>(1,319,734)</b>	<b>(1,018,088)</b>	<b>(3,584,920)</b>	<b>(2,580,704)</b>



**ALLIED  
ESPORTS**  
ENTERTAINMENT

