



GAME SQUARE

GameSquare Holdings Inc. Second Quarter 2025 Results Conference Call Transcript

Date: August 14, 2025

Time: 5:00 PM ET

Speakers: **Justin Kenna**
Chief Executive Officer

Michael Munoz
Chief Financial Officer

Operator:

Good afternoon and thank you for joining us for the GameSquare Holdings 2025 Second Quarter Conference Call.

On the call today, we have Justin Kenna, GameSquare's CEO; Lou Schwartz, President; and Mike Munoz, CFO.

During the call, all participants are in listen-only mode. Following the presentation we will conduct a question-and-answer session.

Before Management discusses the results, I'd like to remind everyone that certain statements in this call may be forward-looking in nature. These include statements involving known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements. For information about forward-looking statements and risk factors, please see our 10-Q for the quarter ended June 30, 2025, which will be available on the Company's website or with the Securities and Exchange Commission.

I will now turn the call over to GameSquare's CEO, Justin Kenna. Justin, please go ahead.

Justin Kenna:

Thank you and good afternoon to everyone joining us on today's call.

Twenty twenty-five is on track to be a transformative year for GameSquare as we aggressively execute against a bold vision aimed at building a leading digital-first platform at the intersection of media, technology, gaming and onchain finance. While our roots are in media, technology and gaming and those businesses continue to deliver strong revenue and operational performance, we have also recently launched a differentiated crypto-native treasury management strategy.

Since its official launch in July using the August 13, 2025, closing price, our treasury strategy has already generated over \$19 million in unrealized gains, and we now hold 15,630 ETH with a current market value of \$74.3 million. We believe GameSquare is one of only a few companies globally that combines a proven high-performing operating business with a large-scale, actively managed Ethereum

treasury. This unique model positions us to capture meaningful appreciation and yield from our crypto strategy while leveraging the financial and operating performance of our core businesses.

Our operating businesses and onchain treasury management strategy are complementary. In fact, our growing onchain presence is beginning to fuel new opportunities in our operating business, creating the potential for a powerful growth flywheel.

Our strategy is also designed to smooth the volatility of the crypto market by balancing it with consistent diversified revenue streams. Over time, the cash flow and value creation from our treasury activities are expected to fund additional ETH purchases, opportunistic share repurchases, and reinvestment in our core businesses. With over \$71.5 million in trailing 12-month revenue and a scalable onchain model built for both growth and resilience, this structure sets GameSquare apart and creates an extremely compelling value proposition for our shareholders.

With this, I'll jump into our operating performance before I share our early observations from the launch of our treasury management strategy in the third quarter.

As we stated on our first quarter earnings call, our priorities this year are focused on achieving profitability, streamlining operations and driving higher-margin revenue opportunities across our core media, technology and gaming businesses. I'm pleased with our progress. On a consolidated basis, we've reduced SG&A expenses by 15% and expanded gross margin by 120 basis points, driving a 16% improvement in Adjusted EBITDA year-over-year.

Additional restructuring efforts are underway, and we've identified a further \$5 million in annualized savings and are expected to begin contributing in the third quarter. We also anticipate stronger gross margin in the second half of the year, supported by higher seasonal revenue and a more profitable mix of business.

During the second quarter, we completed the divestiture of FaZe Media, selling our remaining 25.5% stake back to its founders. This valued FaZe Media at over \$39 million compared to our original \$14 million stock-based acquisition of both FaZe Esports and FaZe Media and further simplifies our business while reducing working capital requirements.

Today, GameSquare operates across four focus areas: SaaS and managed services, agency and media, owned and operated IP, and FaZe Clan Esports. We believe this differentiated end-to-end platform enables deep partnerships with top game publishers and global brands. Our reach into gaming and Gen Z audiences is unmatched, and as brands compete for share in a challenging economic environment, we are confident in our ability to grow organically, supported by recent partnerships and a robust sales pipeline.

While consolidated revenue in the second quarter was slightly below expectation due to extended closing timelines of several last deals, we're entering the seasonally strongest part of our year with significant momentum. The demand environment in our agency business is accelerating. Our pipeline is the strongest it's been all year, and many of the opportunities that shifted out of Q2 are now on track to close in the coming months. We expect meaningful sequential growth with Q3 revenue higher than Q2 and Q4 building further on that growth, supported by both new wins and expansion with existing partners. This momentum positions us for a powerful finish to 2025 and a strong launch into 2026.

We are also advancing multiple growth initiatives across the portfolio, including scaling our Managed Services business, launching new products, and expanding owned and operated relationships. Highlights here include Stream Hatchet saw its largest contract to date, supporting the launch of Monster Hunter Wilds. This week, it also announced a new managed services agreement with Ubisoft to support the launch of Tom Clancy's Rainbow Six Siege. These wins underscore Stream Hatchet's transformation from a pure data analytics provider into a full-service marketing engine, delivering measurable value for customers on a global scale.

During the quarter, Stream Hatchet launched a proprietary AI-based solution that helps game publishers, global brands and agencies connect with Gen Z and Millennial audiences across leading live-streaming and social platforms. This engine uses machine learning to decode creator content, audience sentiment and engagement patterns, enabling brands to identify high-performing influencers and design campaigns with surgical precision.

Within GameSquare Experiences, we've launched a collegiate esports program to engage campuses nationwide in partnership with a national retail chain. In July, GameSquare Experience has successfully produced and managed 100 Thieves' Summer Block Party, further showcasing our ability to execute large-scale high-profile events.

Importantly, the strength of our operating momentum complements our onchain treasury strategy. The same relationships, reach and capabilities driving wins in media, technology and gaming are opening doors with crypto-native companies that see value in our expertise and our access to audience. We are currently in active discussions with more than 15 crypto-native organizations, representing eight-figures of potential deal value that are seeking partners with proven capabilities to help them reach and engage audiences at scale. GameSquare's established operating platform positions us uniquely to meet this demand.

We believe these relationships will not only deepen our presence in the onchain ecosystem but also generate incremental high-margin revenue streams. Based on our current pipeline, we expect initial wins to begin in the third quarter, like our recently announced \$2.5 million agency of record win with Azuki and building further into the fourth quarter, creating another powerful growth driver for our business.

Our operating momentum makes this the perfect time to review our emerging onchain treasury strategy, which we officially launched on July 1. Our goal is straightforward: to build one of the most sophisticated yield-generating Ethereum strategies of any public company and to do so alongside a high-performing operating platform. Unlike pure crypto plays, our model is designed to compound value while buffering against volatility. We are pursuing a three-pronged crypto-native growth strategy, which includes: firstly, an Ethereum-based treasury strategy through Dialectic's onchain yield platform targeting annualized yields of 8% to 14%. This kicked off, and we're excited to provide yield results at the end of the month.

Secondly is our financialized art and culture asset strategy that looks to acquire culturally significant digital assets and NFTs targeting 6% to 10% annualized stablecoin yields.

Third and finally, a Web3 operating strategy, leveraging GameSquare's creative agency and gaming businesses to help crypto-native organizations grow global audiences while also adding high potential digital assets and yield opportunities to our treasury. This has already resulted in \$2.5 million of high-margin revenue for the back half of the year for our agency of record deal with Azuki.

The cash flow and appreciation from these activities are intended to fund additional ETH purchases, return capital to shareholders through buybacks, and reinvest in our operating business, creating a self-reinforcing cycle of growth across both pillars of our Company.

We have built a dedicated onchain platform supported by best-in-class infrastructure and guided by proven leaders in the crypto and DeFi space. This includes the team at Dialectic who bring deep expertise in structuring, managing and optimizing institutional-grade onchain portfolios.

Our strategy is also supported by seasoned advisers such as Ryan Zurrer of Dialectic, Robert Leshner of Superstate, and Rhydon Lee of Goff Capital, all of whom have been instrumental in refining our portfolio construction, risk management and yield generation strategies. This platform allows us to actively manage our ETH holdings in real time, identify high conviction opportunities and move capital efficiently across strategies. Importantly, the systems we've put in place are built for scale, enabling us to increase capital deployment as our treasury grows while maintaining robust oversight and compliance controls.

Although still in its early days, our onchain strategy has already begun to generate meaningful results. As of August 13, 2025, we held 15,630 ETH with an original cost basis of \$55 million and a market value of \$74.3 million, reflecting an average cost per ETH of approximately \$3,519 and a market price of \$4,751. We own one of only 24 Ape CryptoPunks in existence acquired on July 24, 2025, for \$5.15 million or 1,084 ETH. Our NFT yield strategy managed by 1OF1 is targeting annualized yields of 6% to 10%.

On August 1, we funded our yield strategy with Dialectic that is currently tracking within our targeted 8% to 14% annualized return range. As of August 13, 2025, our ETH, NFT and cash totalled \$99.4 million or \$1 per share, with total debt of just over \$1 million.

As you can see, GameSquare has never been in a stronger financial position. Its strength provides significant flexibility to pursue strategic initiatives, invest in our operating platform and return capital to shareholders. Reflecting this confidence, our Board of Directors has approved a share repurchase program authorizing the Company to buy back up to \$5 million of our common stock. The program will be funded directly from the net proceeds of our onchain yield strategy, ensuring that our treasury activities directly translate into shareholder value creation.

With this overview, I'd like to turn the call over to Mike to review our 2025 second quarter financial results. Mike?

Michael Munoz:

Thanks, Justin.

It's important to note that our second quarter financial results do not reflect the July launch of our treasury management strategy. The contribution of this strategy will begin to be reflected in our financial results starting in the third quarter.

Comparing our 2025 second quarter reported results to the prior year, total revenue was \$15.8 million compared to \$17.8 million. The 11% year-over-year decline in revenue was primarily due to a reduction in programmatic advertising revenue, partially offset by growth across our other business segments.

Gross margin for the 2025 second quarter was \$2.4 million or 15.3% of sales compared to \$2.5 million or 14.1% of sales for the same period last year. We expect gross margin to improve going forward, supported by a more profitable revenue mix in 2025 and additional actions underway to improve gross margin.

Adjusted EBITDA loss for the 2025 second quarter was \$3.5 million compared to a loss of \$4.2 million last year and a loss of \$3.0 million for the first quarter of 2025.

Before I turn the call back over to Justin, I want to quickly review some balance sheet items after the second quarter that take into account our recent equity offerings, onchain purchases and debt repayments.

As of August 13, 2025, GameSquare had approximately 99 million common shares outstanding, cash and cash equivalents of \$20 million, onchain treasury assets of \$79.4 million, total debt of \$1.25 million and a market cap to net asset value ratio of 0.92 times. As you can see, GameSquare has a strong financial position with excellent liquidity to pursue strategic initiatives, invest in our operating platform and return capital to shareholders.

With this overview, I'll turn the call back over to Justin.

Justin Kenna:

Thanks, Mike.

As a result of the strong performance since the launch on July 1, 2025, of our Ethereum-based treasury strategy and continued restructuring initiatives aimed at streamlining operations and accelerating the path to profitability, we plan to reintroduce full-year guidance in the third quarter of 2025. That said, I want to provide investors with the following assumptions that we believe will add some insight into why we expect the second half of 2025 to be meaningfully stronger.

As we've discussed, we launched our Ethereum yield strategy on August 1, which is targeting annualized onchain yields of 8% to 14%. Approximately 60% of 2025 revenue is expected to be generated in the second half of the year, in line with typical seasonal trends. We expect revenue growth combined with a more profitable mix of revenue will further improve consolidated gross margin in the second half of the year. Opportunities that shifted out of the second quarter are now on track to close in the coming months. We expect meaningful sequential growth with third quarter revenue higher than the second quarter and fourth quarter building further on that growth, supported by both new wins and expansion with existing partners.

We expect additional wins in the crypto space like the \$2.5 million recently announced Azuki deal to continue that were not modeled into our original numbers. Ongoing restructuring initiatives are expected to lower operating expenses in the second half of 2025, with approximately \$5 million of additional annualized savings expected by the end of the third quarter.

Taken together, the strength of our operating platform, the seasonally stronger revenue mix, our ongoing expense discipline and the contribution from our onchain treasury strategy gives us confidence in significantly improved performance in the back half of the year. GameSquare is building what we believe is a category-defining model that combines high-performance operating platform with one of the most sophisticated actively managed Ethereum treasuries in the public markets. Our dual strategy is designed to deliver growth, yield and appreciation while providing the resilience to outperform across market cycles. We are focused on expanding our reach profitably into traditional and onchain economies and translate this advantage into meaningful lasting shareholder value. We believe the second half of 2025 will show the full potential of what our platform can deliver.

With this overview, Lou, Mike and I are happy to take questions. Operator, please open the call to questions. Thank you.

Operator:

Thank you. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone, you need to pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

The first question comes from Greg Gibas with Northland Securities. Please go ahead.

Greg Gibas:

Great. Good afternoon, Justin, Lou and Mike. Congrats on the early progress and success with that Ethereum treasury strategy. I wanted to just follow up on your revenue performance in terms of a little lighter than you expected. Could you provide maybe a little bit more colour on what maybe panned out differently than expected? Simply, was it deal timing or were there other impacts? Appreciate the comments on the expectations into the back half.

Justin Kenna:

Yes, absolutely. Thank you, Greg. I think there's three main factors in Q2, which I think the most pleasing factor of that is that they're macro related and that these deals are very much on the table. I would say number one was really the effect of the tariffs. I think that we had two large deals with global gaming companies that are headquartered in China. These were multiyear seven-figure deals. They haven't gone away, but they certainly slowed down and one that we were expecting to paper in short order that was certainly slowed down by, I think, the confusion that some of the announcements around tariffs created. I certainly think that from an advertising and agency perspective, I do think that there was some pain felt across those segments, so certainly we weren't isolated there.

I think the pleasing part of that is that these deals are very much on the table. We've got real inventory. I hate to continue to use the word pipeline because these deals are translating into real revenue. Again, I'd touch on the Azuki deal that we just announced. It's \$2.5 million of really high-margin revenue that wasn't even factored into the model at all.

Feel really good about Q3 and Q4 revenue, Q2 a little softer for sure. I think, one, certainly the tariff announcements. I'd say number two was a slowdown in our programmatic advertising revenue. This is a part of the business, I think we've been pretty vocal about it. It's been really low-margin revenue for us and when we talk about being a next-generation media company, certainly our focus is not on programmatic advertising. We're really focused on our map building business, connecting brands authentically with these audiences, large-scale campaigns, really high-margin areas of our business, and that really—think you'll see a continued focus there. Certainly, from a top line perspective but what I think you will see in the back half of the year is really material margin growth.

Certainly, top line came off a little bit, but again, I think if you look year-on-year, there is Adjusted EBITDA improvement. To touch on that, Greg, because I think that's really key, right, is if you think about that EBITDA piece, into Q3 and how you get to profitability, right? If you're looking at a burn of just over a million dollars a month, I think if you look at it—and this isn't even taking into account the increase in revenue and margin which we expect, but just from that \$5 million of annualized restructuring costs, if you take into account that and even just the yield off our current Ethereum strategy, you're already sort of at breakeven, right? Before you even look at that revenue growth.

We feel really good about the operating business. I think third factor is really just a renewed focus on this crypto space. I think that we touched on the pipeline there, but there are 15-plus active conversations going on. This is not a pivot in terms of our services, so I'd really note that. I think that we're just seeing a lot of inbound from these blockchain gaming companies, exchanges, wallets, neobanks that are all wanting to reach youth audience at scale. They're all wanting to reach these traditional gaming audiences, and so we're seeing a huge amount of inbound there.

Yes, just to summarize that, say, some macro factors, the tariffs, certainly a bit of a slowdown in programmatic revenue, but again year-on-year EBITDA improvement. That's not to—we're not just looking at our unrealized gains on Ethereum, right, which is as we talked about, \$19 million. We're trading currently below cash in Ethereum. Yes, we certainly think there's significant upside, but we certainly think just from an operating standpoint that we'll be getting to profitability in the near term.

Greg Gibas:

Yes, great. Really appreciate the detailed colour there. It does make sense. You beat me to a follow-up question as well. But I guess I'll just ask too on, you mentioned the 15-plus active conversations in the

crypto space. That's exciting. Wondering if you could maybe characterize the timing of those opportunities? Could you say those are longer term, or could those be contributors in the back half?

Then I guess just secondly or lastly, as it relates to your guidance, do you have a sense of the timing on when you—just getting a better sense of the treasury strategy and how that's trending? I'm sorry, I guess if I could throw in another one, just in terms of the incremental restructuring, maybe where you expect to derive those savings from in the business.

Justin Kenna:

Yes, absolutely. A bit in there. I'd say we'll touch on the restructuring first and we can go backwards from there.

On the restructuring front, we've been talking about for some time really consolidating our technology platforms, Stream Hatchet and Sideqik. We've made some really big strides there. We've continued to pull out efficiencies within the business. We've obviously integrated engine gaming and then phased plans over the past two years and we've been continuing to look at efficiencies. Really just around streamlining our offering and I think you'll see that net effect of that in Q3 and Q4, and we're going to be operating sort of really efficiently. I think from that point, it's really about, one, hitting profitability, and two is obviously scaling from there. I think that we can really hit operational efficiency from there and again, really see scale into 2026.

In terms of the crypto revenue category, it's been an interesting one. I think it's certainly been one—we've been involved in this space for some time, and we've certainly been on the sideline watching as these treasury strategies have appeared. We've certainly looked at it from a perspective of we're not in an arms race here with BitMine and others to own the most Ethereum. We, one, believe that our strategy is really differentiated by the fact that we have an exclusive partnership with Dialectic. From a public company standpoint that is an exclusive relationship. We believe that we can generate the greatest yields on Ethereum. We certainly believe, at the end of this month when we can report our first month and actual results on yield, that people will start to see that and hopefully, the market will see those actual results.

But certainly, we think that we have a differentiated approach by the fact that our operating business really does work within this space, right? That is through our core businesses in technology, agency,

events, marketing, media, these gaming audiences living on the Internet and there's enormous crossover with these crypto communities, right? They're all digitally native. It's really servicing 'everything Internet culture'.

We have done that. We've worked with a number of blockchain gaming developers in the past. Our largest sponsor on the FaZe Esports side is Rollbit, which is another crypto-native bidding site. We have had experience in the past, Greg, but we've made some real emphasis here of growth. I think we're going to really start to see some material results into the back half of the year. This isn't like a 2026, '27 strategy. You need to wait three, four quarters to see the results. We've had a huge amount of inbound since we announced the treasury strategy we've made. We've done a lot of work with our staff around the space and really educating everybody around the space and we think we're really uniquely positioned to be that leading Internet culture, digitally native agency.

We talk about how fragmented the gaming space is. I think the crypto space even more so, right? They're not engaging the big traditional agencies like a lot of gaming publishers and brands now are. I think there's, yes, a huge opportunity for us to be the go-to when it comes to IRL events, when it comes to marketing campaigns, when it comes to content. Yes, we saw an announcement yesterday with Azuki. That's \$2.5 million of revenue. It's going to hit our books in Q3 and Q4, and we expect there to be a number of other deals that will be closed and announced within Q3 that will hit our books in Q3 and certainly within Q4 and into next year.

Greg Gibas:

That's great. Thanks very much, Justin.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Justin Kenna for any closing remarks. Please go ahead.

Justin Kenna:

Thank you.

I just want to thank everyone for jumping on today's call. We've certainly received a lot of inbound around the treasury strategy and understanding the different pieces there and why the Company is

trading below cash and Ethereum. I think that as frustrated as we certainly are as Management, we're going to continue to keep our heads down and drive the business forward and get to profitability to prove out the yield strategy, to continue to really drive for long-term sustained shareholder success, and that's really what we're in this for.

I think that we mentioned it in the script, but we really look at this strategy as a long-term strategy. This isn't about just riding the appreciation in price in Ethereum, which is certainly nice. That \$19 million unrealized gain is certainly nice. This is about long-term sustained success. It's about generating real yield that we can invest into the operating business and that we can continue to execute.

As I mentioned, we're really uniquely positioned here as a service provider to the crypto space. We see this as a new vertical and new revenue stream for us. We're going to continue to be a leader in the gaming space, but we think that we're extremely well positioned for future growth. Yes, I really appreciate the support of all the investors, and we're certainly here if anybody has questions about the strategy or wants to understand more. We're always available.

Again, we feel really bullish about where things sit today and where we're headed. We're really, really excited about Q3 and Q4. Nothing has changed in our ruthless pursuit of profitability, and we're really excited to update shareholders with our Q3 results and deliver those results for shareholders.

Again, thank you everyone for jumping on today. The Company really appreciates it. Thank you.

Operator:

This brings to a close GameSquare's 2025 Second Quarter Financial Results Conference Call. You may disconnect your lines. Thank you for participating and have a pleasant day.