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DELTA REPORT

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FALCONS BEYOND GLOBAL, I

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1125

■ CHANGES	231
■ DELETIONS	348
■ ADDITIONS	546

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024 June 30, 2024

OR

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

For the transition period from _____ to _____

Commission file number 001-41833

Falcon's Beyond Global, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	92-0261853 (I.R.S. Employer Identification No.)
1768 Park Center Drive Orlando, FL (Address of principal executive offices)	32835 (Zip Code)

Registrant's telephone number, including area code: **(407) 909-9350**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001 per share	FBYD	The Nasdaq Stock Market LLC
Warrants to purchase 1.034999 shares of Class A common stock, at an exercise price of \$11.50 per share	FBYDW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 16, 2024 August 13, 2024, a total of 11,504,248 11,504,129 shares of the Registrant's Class A common stock, par value \$0.0001 per share, and 113,409,117 shares of the Registrant's Class B common stock, par value \$0.0001 per share, was issued and outstanding.

FALCON'S BEYOND GLOBAL, INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains statements that the Company believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements relating to expectations for future financial performance, business strategies or expectations for our business. These statements are based on the beliefs and assumptions of the management of the Company. Although the Company believes that its plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, it cannot provide assurance that it will achieve or realize these plans, intentions or expectations. These statements constitute projections, forecasts and forward-looking statements, and are not guarantees of performance. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this in this Quarterly Report, words such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "might," "plan," "possible," "potential," "should," "target," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

You should not place undue reliance on these forward-looking statements. Should one or more of a number of known and unknown risks and uncertainties materialize, or should any of our assumptions prove incorrect, the Company's actual results or performance may be materially different from those expressed or implied by these forward-looking statements. The following important factors, risks, and uncertainties could cause actual results to differ materially from those indicated by the forward-looking statements in this Quarterly Report:

- We may not be able to sustain our growth, effectively manage our anticipated future growth, implement our business strategies or achieve the results we anticipate.
- The impairments of our intangible assets and equity method investment in our joint ventures, have materially and adversely impacted our business and results of operations and may do so again in the future.
- Our current liquidity resources raise substantial doubt about our ability to continue as a going concern and holders of our securities could suffer a total loss of their investment.
- We will require additional capital, which additional financing may result in restrictions on our operations or substantial dilution to our stockholders, to support the growth of our business, and this capital might not be available on acceptable terms, if at all.
- Following the closure of Katmandu Park DR, our FBD business is in transition, and the repositioning and rebranding of FBD projects will be subject to timing, budgeting and other risks which could have a material adverse effect on us. In addition, the ongoing need for capital expenditures to develop our FBD business could have a material adverse effect on us, including our financial condition, liquidity and results of operations.
- Our growth plans in FCG may take longer than anticipated or may not be successful.
- Our ability to execute on our strategy and business model is dependent on the quality of our services, and our failure to offer high quality services could have a material adverse effect on its sales and results of operations.
- Anticipated synergies across our three business lines may not create the diversified revenue streams that we believe they will.
- A significant portion of FCG's revenue is derived from one large client and any loss of, or decrease in services to, that client could harm FCG's results of operations.
- Following the completion of the Strategic Investment, the Company, Falcon's Opco and FCG LLC are subject to contractual restrictions that may affect our ability to access the public markets and expand our business.

- The significance of our operations and partnerships outside of the United States makes us susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits, disrupt our business, or damage our reputation.
- We are exposed to risks related to operating in the Kingdom of Saudi Arabia.
- Our indebtedness and liabilities could limit the cash flow available for our operations, which may adversely affect our financial condition and future financial results. The principal, premium, if any, and interest payment obligations of such debt may restrict our future operations and impair our ability to invest in our businesses.
- We may expand into new lines of business in our FBB division and may face risks associated with such expansion.
- We have entered and expect to continue to enter into joint venture, strategic collaborations, teaming and other business arrangements, and these activities involve risks and uncertainties. A failure of any such relationship could have a material adverse effect on our business and results of operations.
- In certain jurisdictions into which we are currently contemplating expanding, we will rely on strategic relationships with local partners in order to be able to offer and market our products and services. If we cannot establish and maintain these relationships, our business, financial condition and results of operations could be adversely affected.
- We are dependent on the continued contributions of our senior management and other key employees, and the loss of any of whom could adversely affect our business, operating results, and financial condition.
- If we are unable to hire, retain, train and motivate qualified personnel and senior management for our businesses and deploy our personnel and resources to meet customer demand around the world, our business could suffer.
- Failures in, material damage to, or interruptions in our information technology systems, software or websites, and difficulties in updating our systems or software or implementing new systems or software could adversely affect our businesses or operations.
- Protection of electronically stored data and other cybersecurity is costly, and if our data or systems are materially compromised in spite of this protection, we may incur additional costs, lost opportunities, damage to our reputation, disruption of services or theft of our assets.
- Our insurance may not be adequate to cover the potential losses, liabilities and damages of our FBD division, the cost of insurance may continue to increase materially, including as a result of natural disasters, some of which may be related to climate change, and we may not be able to secure insurance to cover all of our risks, all of which could have a material adverse effect on us.
- Theft of our intellectual property, including unauthorized exhibition of our content, may decrease our licensing, franchising and programming revenue which may adversely affect our business and profitability.
- We are a holding company and our only material asset is our interest in Falcon's Opc, and accordingly we will generally be dependent upon distributions from Falcon's Opc to pay taxes, make payments under the Tax Receivable Agreement and pay dividends.
- Under the Tax Receivable Agreement, the Company is required to make payments to the Company's unitholders for certain tax benefits to which the Company may become entitled, and those payments may be substantial.

- In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits the Company realizes in respect of the tax attributes subject to the Tax Receivable Agreement.
- If Falcon's Opco were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, the Company and Falcon's Opco might be subject to potentially significant tax inefficiencies, and the Company would not be able to recover payments previously made by it under the Tax Receivable Agreement even if the corresponding tax benefits were subsequently determined to have been unavailable due to such status.
- As a public reporting company, we are subject to rules and regulations established from time to time by the SEC and Public Company Accounting Oversight Board regarding our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or report them in a timely manner.
- We have identified material weaknesses in our internal controls over financial reporting. If we are unable to remediate these material weaknesses, if management identifies additional material weaknesses in the future or if we otherwise fail to maintain effective internal controls over financial reporting, we may not be able to accurately or timely report our financial position or results of operations, which may adversely affect our business and stock price or cause our access to the capital markets to be impaired.
- The Demerau Family is expected to have significant influence over stockholder decisions because of its share ownership.
- Cecil D. Magpuri, our Chief Executive Officer, controls over twenty percent of our voting power and is able to exert significant influence over the direction of our business.
- There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq.

In addition, this Quarterly Report includes important information as to risks, uncertainties, and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See "Note 10: Commitments and Contingencies" within Item 1 of this Quarterly Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" within Item 2 of this Quarterly Report. Additional important information as to these factors is included in our Annual Report on Form 10-K for the year ended December 31, 2023 ("Annual Report") in the sections titled Item 1, "Business", Item 1A, "Risk Factors," Item 3, "Legal Proceedings," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations". The forward-looking statements speak only as of the date of this Quarterly Report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the Securities and Exchange Commission ("SEC").

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FALCON'S BEYOND GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands of U.S. dollars)

	(Unaudited) As of March 31, 2024	As of December 31, 2023	As of June 30, 2024	As of December 31, 2023
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,050	\$ 672	\$ 1,664	\$ 672
Accounts receivable, net (\$1,794 and \$632 related party as of March 31, 2024 and December 31, 2023, respectively)	1,794	696		
Other current assets (\$2,094 related party as of March 31, 2024)	3,303	1,061		
Accounts receivable, net (\$34 and \$632 related party as of June 30, 2024 and December 31, 2023, respectively)			34	696
Other current assets			1,078	1,061
Total current assets	6,147	2,429	2,776	2,429
Investments and advances to equity method investments	61,292	60,643	62,826	60,643
Property and equipment, net	22	23	23	23
Other non-current assets	322	264	305	264
Total assets	\$ 67,783	\$ 63,359	\$ 65,930	\$ 63,359
Liabilities and stockholders' equity (deficit)				
Current liabilities:				
Accounts payable (\$1,601 and \$1,357 related party as of March 31, 2024 and December 31, 2023, respectively)	\$ 6,524	\$ 3,852		
Accrued expenses and other current liabilities (\$445 and \$475 related party as of March 31, 2024 and December 31, 2023, respectively)	20,741	20,840		
Short-term debt (\$7,221 related party as of March 31, 2024)	8,471	—		
Current portion of long-term debt (\$4,899 and \$4,878 related party as of March 31, 2024 and December 31, 2023, respectively)	6,660	6,651		
Accounts payable (\$1,665 and \$1,357 related party as of June 30, 2024 and December 31, 2023, respectively)			\$ 3,822	\$ 3,852
Accrued expenses and other current liabilities (\$1,328 and \$475 related party as of June 30, 2024 and December 31, 2023, respectively)			23,513	20,840
Short-term debt (\$904 related party as of June 30, 2024)			8,471	—
Current portion of long-term debt (\$5,573 and \$4,878 related party as of June 30, 2024 and December 31, 2023, respectively)			7,190	6,651
Earnout liabilities – current portion	155,331	183,055	73,843	183,055
Total current liabilities	197,727	214,398	116,839	214,398
Other long-term payables	5,500	5,500	5,500	5,500
Long-term debt, net of current portion (\$16,952 and \$18,897 related party as of March 31, 2024 and December 31, 2023, respectively)	20,476	22,965		
Long-term debt, net of current portion (\$16,653 and \$18,897 related party as of June 30, 2024 and December 31, 2023, respectively)			19,852	22,965
Earnout liabilities, net of current portion	214,695	305,586	216,922	305,586
Warrant liabilities	3,691	3,904	6,290	3,904
Total liabilities	442,089	552,353	365,403	552,353
Commitments and contingencies – Note 10				
Stockholders' equity (deficit)				
Class A common stock (\$0.0001 par value, 500,000,000 shares authorized; 9,879,248 issued and outstanding at March 31, 2024 and 500,000,000 shares authorized; 7,871,643 issued and outstanding as of December 31, 2023)	1	1		
Class B common stock (\$0.0001 par value, 150,000,000 shares authorized; 50,034,117 issued and outstanding at March 31, 2024 and 150,000,000 shares authorized; 52,034,117 issued and outstanding as of December 31, 2023)	5	5		
Class A common stock (\$0.0001 par value, 500,000,000 shares authorized; 10,066,629 issued and outstanding at June 30, 2024 and 500,000,000 shares authorized; 7,871,643 issued and outstanding as of December 31, 2023)			1	1
Class B common stock (\$0.0001 par value, 150,000,000 shares authorized; 57,346,617 issued and outstanding at June 30, 2024 and 150,000,000 shares authorized; 52,034,117 issued and outstanding as of December 31, 2023)			6	5
Additional paid-in capital	(10,086)	11,699	5,681	11,699

Accumulated deficit	(51,425)	(68,594)	(50,191)	(68,594)
Accumulated other comprehensive loss	(215)	(216)	(216)	(216)
Total equity attributable to common stockholders	(61,720)	(57,105)	(44,719)	(57,105)
Non-controlling interests	(312,586)	(431,889)	(254,754)	(431,889)
Total equity	(374,306)	(488,994)	(299,473)	(488,994)
Total liabilities and equity	\$ 67,783	\$ 63,359	\$ 65,930	\$ 63,359

See accompanying notes to unaudited condensed consolidated financial statements.

FALCON'S BEYOND GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands of U.S. dollars, except share and per share data)

	Three months ended March 31, 2024	Three months ended March 31, 2023	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023		
Revenue (\$1,516 and \$3,498 related party for the three months ended March 31, 2024 and 2023, respectively)	\$ 1,516	\$ 9,194				
			June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue (\$1,798, \$738, \$3,314 and \$4,236 related party for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, respectively)			\$ 1,798	\$ 5,322	\$ 3,314	\$ 14,516
Operating expenses:						
Project design and build expense	—	6,288	—	3,141	—	9,429
Selling, general and administrative expense	6,793	9,749	5,308	9,151	12,101	18,900
Transaction expenses	7	—	—	—	7	—
Credit loss expense (\$12 and \$254 related party for the three months ended March 31, 2024 and 2023, respectively)	12	254				
Research and development expense (\$16 and \$0 related party for the three months ended March 31, 2024 and 2023, respectively)	16	463				
Credit loss expense – related party (\$0, \$0, \$12 and \$254 related party for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, respectively)					12	254
Research and development expense (\$10, \$0, \$26 and \$0 related party for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, respectively)			10	439	26	902
Depreciation and amortization expense	1	1,342	2	174	3	1,516
Total operating expenses	6,829	18,096	5,320	12,905	12,149	31,001
Loss from operations	(5,313)	(8,902)	(3,522)	(7,583)	(8,835)	(16,485)
Share of gain (loss) from equity method investments	1,154	(1,279)	1,720	(856)	2,874	(2,135)
Interest expense (\$205) and (\$204) related party for the three months ended March 31, 2024 and 2023, respectively)	(269)	(271)				
Interest expense (\$235), (\$217), (\$426) and (\$420) related party for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, respectively)			(438)	(295)	(707)	(566)
Interest income	3	—	3	45	6	45
Change in fair value of warrant liabilities	208	—	(2,599)	—	(2,391)	—
Change in fair value of earnout liabilities	118,615	—	13,006	—	131,621	—
Foreign exchange transaction gain (loss)	(375)	599	(142)	(129)	(517)	470
Net income (loss) before taxes	\$ 114,023	\$ (9,853)	\$ 8,028	\$ (8,818)	\$ 122,051	\$ (18,671)
Income tax benefit	1	3	—	16	1	19
Net income (loss)	\$ 114,024	\$ (9,850)	\$ 8,028	\$ (8,802)	\$ 122,052	\$ (18,652)
Net income attributable to noncontrolling interest	96,855	—	6,794	—	103,648	—
Net income attributable to common stockholders	17,169	—	1,234	—	18,404	—
Net income (loss) per share, basic	1.90	n/a	0.12	n/a	1.93	n/a
Net income (loss) per share, diluted	1.53	n/a	0.01	n/a	1.37	n/a
Net income per share, basic			0.12	n/a	1.93	n/a
Net income per share, diluted			0.01	n/a	1.37	n/a
Weighted average shares outstanding, basic	9,021,520	n/a	10,008,941	n/a	9,515,230	n/a
Weighted average shares outstanding, diluted	9,209,020	n/a	10,066,633	n/a	9,731,576	n/a
Comprehensive income (loss):						
Other Comprehensive income (loss):						
Net income (loss)	\$ 114,024	\$ (9,850)	\$ 8,028	\$ (8,802)	\$ 122,052	\$ (18,652)
Foreign currency translation gain	4	283				
Total comprehensive income (loss)	\$ 114,028	\$ (9,567)				

Foreign currency translation loss			(8)	(802)	(4)	(519)
Total other comprehensive income (loss)			8,020	(9,604)	122,048	(19,171)
Comprehensive income attributable to noncontrolling interest	96,858	n/a	6,787	—	103,645	—
Comprehensive income attributable to common stockholders	\$ 17,170	n/a				
Total comprehensive income (loss) attributable to common stockholders			\$ 1,233	\$ (9,604)	\$ 18,403	\$ (19,171)

See accompanying notes to unaudited condensed consolidated financial statements.

FALCON'S BEYOND GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands of U.S. dollars)

	Three months ended March 31, 2024	Three months ended March 31, 2023	For the six months ended June 30, 2024	June 30, 2023
Cash flows from operating activities				
Net income (loss)	114,024	(9,850)	122,052	(18,652)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	1	1,342	3	1,516
Deferred loss on sales to equity method investments	—	185	—	194
Foreign exchange transaction loss (gain)	375	(607)	517	(478)
Share of (gain) loss from equity method investments	(1,154)	1,279	(2,874)	2,135
Loss on sale of equipment	2	—	2	—
Change in deferred tax asset	—	(3)	—	(19)
Credit loss expense (\$12 and \$254 related party for the three months ended March 31, 2024 and 2023, respectively)	12	254	12	254
Credit loss expense (\$12 and \$254 related party for the six months ended June 30, 2024 and 2023, respectively)			12	254
Change in fair value of earnouts	(118,615)	—	(131,621)	—
Change in fair value of warrants	(208)	—	2,391	—
Share based compensation expense	346	—	699	—
Changes in assets and liabilities:				
Accounts receivable, net (\$1,174 and \$1,428 related party for the three months ended March 31, 2024 and 2023, respectively)	(1,133)	(845)		
Accounts receivable, net (\$586 and \$(4,711) related party for the six months ended June 30, 2024 and 2023, respectively)			627	(4,521)
Other current assets	73	(89)	(18)	(164)
Inventories	—	(107)	—	(106)
Contract assets (\$0 and \$(334) related party for the three months ended March 31, 2024 and 2023, respectively)	—	(2,215)		
Contract assets (\$0 and \$1,680 related party for the six months ended June 30, 2024 and 2023, respectively)			—	880
Capitalization of ride media content	—	(60)	—	(78)
Deferred transaction costs	—	(465)	—	(637)
Long term receivable – related party	—	(1,227)	—	(1,271)
Other non-current assets	(58)	26	(41)	64
Accounts payable (\$241 related party for the three months ended March 31, 2024)	2,669	1,794		
Accrued expenses and other current liabilities (\$33 and \$448 related party for the three months ended March 31, 2024 and 2023, respectively)	(102)	3,791		
Contract liabilities (\$0 and \$(123) related party for the three months ended March 31, 2024 and 2023, respectively)	—	299		
Accounts payable (\$308 related party for the six months ended June 30, 2024)			(22)	5,173
Accrued expenses and other current liabilities (\$57 and \$(152) related party for the six months ended June 30, 2024 and 2023, respectively)			1,888	2,908
Contract liabilities (\$0 and \$314 related party for the six months ended June 30, 2024 and 2023, respectively)			—	192
Net cash used in operating activities	(3,768)	(6,498)	(6,385)	(12,610)
Cash flows from investing activities				
Purchase of property and equipment	(4)	(133)	(5)	(283)
Short-term advances to affiliates	(2,094)	—		
Proceeds from sale of equipment	2	—		
Investments and advances to unconsolidated joint ventures			—	(1,379)
Net cash used in investing activities	(2,096)	(133)	(5)	(1,662)
Cash flows from financing activities				
Short-term advances from affiliates (\$796 related party for the six months ended June 30, 2024)			796	—
Principal payment on finance lease obligation	—	(40)	—	(93)
Proceeds from debt – related party	7,221	—	7,221	—
Proceeds from debt – third party	1,250	—		
Proceeds from debt – third-party			1,250	—
Repayment of debt – related party	(1,182)	(222)	(1,757)	(222)
Repayment of debt – third party	(427)	(416)		
Repayment of debt – third-party			(858)	(835)
Proceeds from related party credit facilities	4,650	3,000	5,600	8,959
Repayment of related party credit facilities	(5,392)	(2,500)	(5,392)	(2,500)
Equity contributions			—	1,791

Proceeds from exercised warrants	111	—	111	—
Net cash provided by (used in) financing activities	6,231	(178)		
Proceeds from RSUs issued to affiliates		426	—	
Net cash provided by financing activities		7,397	7,100	
Net increase (decrease) in cash and cash equivalents	367	(6,809)	1,007	(7,172)
Foreign exchange impact on cash	11	(6)	(15)	(8)
Cash and cash equivalents – beginning of period	672	8,366	672	8,366
Cash and cash equivalents at end of year	1,050	1,551		
Cash and cash equivalents at end of period			1,664	1,186
Supplemental disclosures:				
Cash paid for interest	207	456	280	550
Non-cash activities:				
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities (all operating lease assets and liabilities have been deconsolidated as of July 27, 2023)	—	514	-	514
Finance lease right-of-use assets obtained in exchange for new finance lease liabilities			-	35
Conversion of warrants to common shares, Class A	7,137	—	7,137	—
Conversion of Class B Common Stock to Class A Common Stock	14,733	—	14,733	—
Release of earnout Common shares from escrow			66,255	—

See accompanying notes to unaudited condensed consolidated financial statements.

FALCON'S BEYOND GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)/MEMBERS' EQUITY (UNAUDITED)
(in thousands of U.S. dollars, except unit and share data)

	Accumulated					Accumulated				
	Units	Members' capital	Accumulated deficit	other comprehensive loss	Members' equity	Units	Members' capital	Accumulated deficit	other comprehensive income (loss)	Members' equity
December 31, 2022	54,483,789	\$ 94,201	\$ (24,147)	\$ (1,690)	\$ 68,364	54,483,789	\$ 94,201	\$ (24,147)	\$ (1,690)	\$ 68,364
Net loss				(9,850)				(9,850)		
Foreign currency translation gain				283	283				283	283
March 31, 2023	54,483,789	\$ 94,201	\$ (33,997)	\$ (1,407)	\$ 58,797	54,483,789	\$ 94,201	\$ (33,997)	\$ (1,407)	\$ 58,797
Net loss								(8,802)		(8,802)
Foreign currency translation loss									(802)	(802)
Units issued						103,288	1,791	-	-	1,791
June 30, 2023						54,587,077	\$ 95,992	\$ (42,799)	\$ (2,209)	\$ 50,984
	Common Stock, Class A		Common Stock, Class B		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity attributable to common stockholders	Non-Controlling Interest	Total equity
	Shares	Amount	Shares	Amount						
December 31, 2023	7,871,643	\$ 1	52,034,117	\$ 5	\$ 11,699	\$ (216)	\$ (68,594)	\$ (57,105)	\$ (431,889)	\$ (488,994)
Conversion of Warrants to Common Shares	7,605				(7,137)			(7,137)	7,230	93
Conversion of Class B Common Stock to Class A Common Stock	2,000,000		(2,000,000)		(14,733)			(14,733)	14,733	-
Stock compensation expense					85			85	482	567
Conversion of warrants to common shares										7,605
Conversion of Class B common stock to Class A common stock									2,000,000	(2,000)
RSU Issuances										
Net income						17,169	17,169	96,855	114,024	
Foreign currency translation gain						1	1	3	4	
March 31, 2024	9,879,248	\$ 1	50,034,117	\$ 5	(10,086)	(215)	(51,425)	(61,720)	(312,586)	(374,306)
Release of earnout Common shares from escrow and other									187,381	- 7,31

RSU Issuances			
Net income			
Foreign			
currency			
translation			
loss			
June 30, 2024	10,066,629	1	57,34

See accompanying notes to unaudited condensed consolidated financial statements.

FALCON'S BEYOND GLOBAL, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE SIX MONTHS ENDED MARCH 31, JUNE 30, 2024 AND 2023
(in thousands of U.S. dollars, unless otherwise stated)

1. Description of business and basis of presentation

Merger with FAST II

Falcon's Beyond Global, Inc., a Delaware corporation ("Pubco", "FBG", or the "Company"), entered into a Plan of Merger, dated as of January 31, 2023 (the "Merger Agreement"), by and among Pubco, FAST Acquisition Corp. II, a Delaware corporation ("FAST II"), Falcon's Beyond Global, LLC, a Florida limited liability company that has since redomiciled as a Delaware limited liability company ("Falcon's Opco"), and Palm Merger Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Pubco ("Merger Sub").

On October 5, 2023 FAST II merged with and into Pubco (the "SPAC Merger"), with Pubco surviving as the sole owner of Merger Sub, followed by a contribution by Pubco of all of its cash (except for cash required to pay certain transaction expenses) to Merger Sub to effectuate the "UP-C" structure; and on October 6, 2023 Merger Sub merged with and into Falcon's Opco (the "Acquisition Merger," and collectively with the SPAC Merger, the "Business Combination"), with Falcon's Opco as the surviving entity of such merger. Following the consummation of the transactions contemplated by the Merger Agreement (the "Closing"), the direct interests in Falcon's Opco were held by Pubco and certain holders of the limited liability company units of Falcon's Opco outstanding as of immediately prior to the Business Combination.

FAST II and Falcon's Opco's transaction costs related to the Business Combination of \$6.4 million and \$15.7 million, respectively, are not yet settled at March 31, 2024. Negotiations regarding the terms of the costs yet to be settled are still ongoing and may change materially from these amounts accrued. Costs incurred in excess of the gross proceeds are recorded in profit or loss.

Nature of Operations

The Company operates at the intersection of content, technology, and experiences. We aim to engage, inspire and entertain people through our creativity and innovation, and to connect people with brands, with each other, and with themselves through the combination of digital and physical experiences. At the core of our business is brand creation and optimization, facilitated by our multi-disciplinary creative teams. **We believe the complementary strengths of our business divisions facilitates invaluable insights and streamlined growth.** The Company has three business divisions, which are conducted through five operating segments. Our three business lines feed into each other to accelerate our growth strategy: (i) Falcon's Creative Group, LLC ("FCG") creates master plans, designs attractions and experiential entertainment, and produces content, interactives and software; (ii) Falcon's Beyond Destinations develops a diverse range of entertainment experiences using both owned and **third party** licensed intellectual property, consisting of Producciones de Parques, S.L. ("PDP"), Sierra Parima, S.A.S. ("Sierra Parima") (Sierra Parima's Katmandu Park in Punta Cana, Dominican Republic ("Katmandu Park DR")) was closed to visitors on March 7, 2024, see Note 4 – Investments and advances to equity method investments, section **"Full Impairment of Investment in Sierra Parima"**), and Destination Operations, **which** develops a diverse range of entertainment experiences using both Company owned and **third party** licensed intellectual property, spanning location-based entertainment, dining, and retail; and (iii) Falcon's Beyond Brands brings brands and intellectual property to life through animation, movies, licensing and merchandising, gaming, as well as ride and technology sales.

Basis of presentation

The Business Combination was accounted for similar to a reverse recapitalization, with no goodwill or other intangible assets recorded, in accordance with generally accepted accounting principles in the United States ("U.S. GAAP, GAAP"). Following the closing of the Business Combination, Falcon's Opco's Executive Chairman, Mr. Scott Demerau, together with other members of the Demerau family, continue to collectively have a controlling interest of Pubco. As the Business Combination represents a common control transaction from an accounting perspective, the Business Combination was treated similar to a reverse recapitalization. As there was no change in control, Falcon's Opco has been determined to be the accounting acquirer and Pubco was treated as the "acquired" company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Falcon's Opco issuing stock for the net assets of Pubco, accompanied by a recapitalization. The net assets of Pubco were stated at historical cost, with no goodwill or other intangible assets recorded. Subsequently, results of operations presented for the period prior to the Business Combination are those of Falcon's Opco.

Falcon's Opco was formed on April 22, 2021, in the state of Florida, for the purpose of acquiring the outstanding membership units of Katmandu Group, LLC and its subsidiaries ("Katmandu"), Falcon's Treehouse, LLC and its subsidiaries ("Treehouse") and Falcon's Treehouse National, LLC ("National"). On April 30, 2021, The Magpuri Revocable Trust, **owners owner** of Treehouse and National, and Katmandu Collections, LLLP, ("Collections") **owners owner** of Katmandu, entered into a Consolidation Agreement, whereby The Magpuri Revocable Trust contributed 100% of its ownership interests in Treehouse and National in exchange for 33.33% of the membership interests of Falcon's Opco, and Collections contributed 100% of its ownership in Katmandu in exchange for 66.67% of the membership interests of Falcon's Opco. In June 2022, Katmandu Collections, LLLP was renamed Infinite Acquisitions, LLLP and subsequently renamed Infinite Acquisitions Partners LLP ("Infinite Acquisitions").

The accompanying condensed consolidated financial statements of the Company are unaudited. In the opinion of management, all adjustments necessary for a fair statement of results of operations, cash flows, and financial position have been made. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year. The year-end consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

The unaudited condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission (**SEC**) ("SEC") and do not contain certain information included in the Company's Annual Report. Therefore, these interim statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report.

The unaudited condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries for which it exercises control. Long-term investments in affiliated companies in which the Company exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which the Company does not exercise significant influence (generally, when the Company has an investment of less than 20.0% and no representation on the investee's board of directors) are accounted for at fair value, or at cost minus impairment adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer for those investments that do not have readily determinable fair values. All significant inter-company transactions and accounts have been eliminated. The Company does not have any significant variable interest entities or special purpose entities whose financial results are not included in the unaudited condensed consolidated financial statements.

The financial statements of the Company's operating foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average monthly exchange rates prevailing during the period. Resulting translation adjustments are included in Accumulated other comprehensive **loss** income (loss).

A reclassification of the credit loss expense of \$0.3 million from selling, general and administrative expense to a separate financial statement line item within the unaudited condensed consolidated statement of operations and comprehensive income (loss) for the **three** six months ended **March 31, 2023** **June 30, 2023**, was performed to conform to the current period presentation.

Principles of Consolidation

The non-controlling interest represents the membership interest in Falcon's Opcos held by holders other than the Company.

The results of operations attributable to the non-controlling interests are included in the Company's unaudited condensed consolidated statements of operations and comprehensive income (loss), and the non-controlling interests are reported as a separate component of equity.

The Company consolidates the assets, liabilities and operating results of Falcon's Opcos and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in the consolidation. The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Liquidity

The Company has been engaged in expanding its physical operations through its equity method investments, developing new product offerings, raising capital and recruiting personnel. As a result, the Company has incurred a loss from operations of **\$5.3 million** **\$8.8 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**, accumulated deficit attributable to common stockholders of **\$51.4 million** **\$50.2 million** as of **March 31, 2024** **June 30, 2024**, and negative cash flows from operating activities of **\$3.8** **\$6.4 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**. Accordingly, the Company performed an evaluation of its ability to continue as a going concern through at least twelve months from the date of the issuance of these unaudited condensed consolidated financial statements under Accounting Standards Codification ("ASC") 205-40, *Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*.

The Company has committed to fund its share of additional investment in its equity investment, Karnival TP-AQ Holdings Limited ("Karnival"), for the purpose of constructing the Vquarium Entertainment Centers in the People's Republic of China. See Note 10 – Commitments and contingencies. On July 27, 2023, Falcon's Creative Group, LLC, a wholly owned subsidiary of the Company, received a net closing payment from Qiddiya Investment Company ("QIC"), on behalf QIC Delaware, Inc., of \$17.5 million (\$18.0 million payment, net of \$0.5 million in reimbursements relating to due diligence fees incurred by Qiddiya.). In April 2024, QIC released the remaining \$12.0 million investment into FCG pursuant to the terms of the Subscription Agreement upon the establishment of an employee retention and attraction incentive program. The funds are to be used exclusively by FCG to fund its operations and growth and cannot be used to satisfy the commitments of other segments.

The Company's development plans, and investments have been funded by a combination of debt and committed equity contributions from its stockholders and **third parties**, **third-parties**, and the Company is reliant upon its stockholders and **third parties** **third-parties** for obtaining additional financing through debt or equity raises to fund its working capital needs, contractual commitments, and expansion plans. As of **March 31, 2024** **June 30, 2024**, the Company has **incurred** **accrued** material amounts of expenses in relation to its external advisors, accountants and legal costs in relation to its Form S-4 and other filings. The Company has a working capital deficiency of **(\$191.6)** **24.6** million **(inclusive of which excludes non-cash earnout liability balance and debt that is maturing in the \$155.3 million Earnout liability – current portion to be settled in shares)** next 12 months as of **March 31, 2024** **June 30, 2024**. Additionally, the Company has **\$15.1 million** **\$15.7 million** in debt that is maturing in the next 12 months. The Company does not currently have sufficient cash or liquidity to pay liabilities that are owed or are maturing at this time. See Note 17– Subsequent events. There can be no assurance that the additional capital or financing raises, if completed, will provide the necessary funding for the next twelve months from the date these unaudited condensed consolidated financial statements will be issued. As a result, there is substantial doubt as to the Company's ability to continue as a going concern for the twelve-month period following the issuance of these unaudited condensed consolidated financial statements. The accompanying unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

Deconsolidation of Falcon's Creative Group, LLC

On July 27, 2023, pursuant to the Subscription Agreement by and between FCG and QIC Delaware, Inc., (the “Subscription Agreement”), QIC Delaware, Inc., a Delaware corporation and an affiliate of QIC, invested \$30.0 million in FCG (“Strategic Investment”). Following the closing of the Subscription Agreement, FCG now has two members: QIC, holding 25% of the equity interest in the form of preferred units, and the Company, holding the remaining 75% of the equity interest in the form of common units. In connection with the Strategic Investment, FCG amended and restated its limited liability company agreement (“LLCA”) to include QIC as a member and to provide QIC with certain consent, priority and preemptive rights; and the Company and FCG entered into an intercompany service agreement (“Intercompany Services Agreement”) and a license agreement. Upon the closing of the Subscription Agreement, FCG received a closing payment of \$17.5 million (net of \$0.5 million in reimbursements relating to due diligence fees incurred by QIC). QIC released in April 2024 the remaining \$12.0 million investment into FCG pursuant to the terms of the Subscription Agreement upon the establishment of an employee retention and attraction incentive program.

QIC is entitled to redeem its preferred units on the earlier of (a) the five-year anniversary of the Strategic Investment or (b) any date on which a majority of key persons cease to be employed by FCG. The LLCA contains contractual provisions regarding the distribution of FCG’s income or loss. Pursuant to these provisions, QIC is entitled to a redemption amount of the initial \$30.0 million investment plus a 9% annual compounding preferred return. QIC does not absorb losses from FCG that would cause its investment to drop below this redemption amount and any losses not absorbed by QIC are fully allocated to the Company.

QIC, as the holder of the preferred units of FCG, has priority with respect to any distributions by FCG, to the extent there is cash available. Under the LLCA, such distributions are payable (i) first, to QIC until the holders’ preferred return is reduced to zero, (ii) second, to QIC until the investment amount is reduced to zero, (iii) third, to the Company until it has received an amount equal to the amount paid to QIC, and (iv) fourth, to QIC and the Company on a pro-rata basis of 25% and 75%, respectively.

The LLCA grants QIC the right to block or participate in certain significant operating and capital decisions of FCG, including the approval of FCG's budget and business plan, strategic investments, and incurring additional debt, among others. These rights allow QIC to effectively participate in significant financial and operating decisions of FCG that are made in FCG's ordinary course of business. As such, as of July 27, 2023 the Company does not have a controlling financial interest since QIC has the substantive right to participate in FCG's business decisions. Therefore, FCG was deconsolidated and accounted for as an equity method investment in the Company's unaudited condensed consolidated financial statements.

After July 27, 2023, the assets and liabilities of FCG are no longer included within the Company's consolidated balance sheet as of **June 30, 2024** and December 31, 2023.

See Note 4– Investments and advances to equity method investments for the Company's recognition of its retained investment in FCG. The Company's retained interest in FCG will continue to be presented separately as a reportable segment in Note 11– Segment Information.

2. Summary of significant accounting policies

Concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of Cash and cash equivalents and Accounts receivable. The Company places its Cash and cash equivalents with financial institutions of high credit quality. At times, such amounts exceed federally insured limits. Management believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of the respective financial institutions.

The Company provides credit to its customers located both inside and outside the United States in its normal course of business. Receivables are presented net of an allowance for credit losses based on the Company's assessment of the collectability of customer accounts. The Company maintains an allowance that provides for an adequate reserve to cover estimated losses on receivables as well as contract assets. The Company determines the adequacy of the allowance by estimating the probability of loss based on the Company's historical credit loss experience and taking into consideration current market conditions and supportable forecasts that affect the collectability of the reported amount. The Company regularly evaluates receivable and contract asset balances considering factors such as the customer's creditworthiness, historical payment experience and the age of the outstanding balance. Changes to expected credit losses during the period are included in Credit loss expense in the Company's unaudited condensed consolidated statements of operations and comprehensive income (loss). After concluding that a reserved accounts receivable is no longer collectible, the Company reduces both the gross receivable and the allowance for credit losses.

The Falcon's Creative Group segment has significant revenue concentration associated with a few customers. As of July 27, 2023 FCG was deconsolidated and accounted for as an equity method investment in the Company's unaudited condensed consolidated financial statements. The Falcon's Creative Group segment is now comprised of the Company's retained equity method investment in FCG. See Deconsolidation of Falcon's Creative Group, LLC under Note 1 – Description of business and basis of presentation and Note 4– Investments and advances to equity method investments. FCG revenue continues to depend on one customer, QIC. FCG had one customer with revenues greater than 10% of total revenue, approximately \$14.7 million \$15.5 million and \$30.3 million for the three and six months ended June 30, 2024, respectively.

The Company had one customer with revenue greater than 10% of total revenue for the three months ended March 31, 2024 June 30, 2024, approximately \$1.7 million (94% of total revenue), and one customer with revenue greater than 10% of total revenue for the three months ended June 30, 2023, approximately \$4.5 million (85% of total revenue).

The Company had one customer with revenues greater than 10% of total revenue, approximately \$1.5 million \$3.2 million (97% of total revenue) for the three six months ended March 31, 2024. Accounts receivable, net balances with this one customer totaled \$1.8 million (100% of total Accounts receivable, net) as of March 31, 2024. The Company had June 30, 2024 and two customers with revenue greater than 10% of total revenue for the six months ended June 30, 2023, approximately \$5.4 million \$10.0 million (69% of total revenue) for one customer and \$3.2 million \$3.6 million (24% of total revenue) for the second customer.

Accounts receivable, net balances with this one customer for totaled less than \$0.1 million (64% of total Accounts receivable, net) as of June 30, 2024. Accounts receivable net balances with the three months ended March 31, 2023 customers totaled \$0.6 million (86% of total Accounts receivable, net) as of December 31, 2023.

Recently issued accounting standards

New accounting standards adopted during the quarter ended March 31, 2024

None.

Recently issued accounting standards not yet adopted as of March 31, 2024 June 30, 2024

November 27, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Improvements to Reportable Segment Disclosures." This ASU requires additional reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. In addition, the ASU enhances interim disclosure requirements effectively making the current annual requirements a requirement for interim reporting. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating these new disclosure requirements.

On December 14, 2023, the FASB issued Accounting Standards Update 2023-09 entitled Improvements to Income Tax Disclosures (ASU 2023-09), which is primarily applicable to public companies and requires a significant expansion of the granularity of the income tax rate reconciliation as well as an expansion of other income tax disclosures. ASU 2023-09 requires a company to disclose specific income tax categories within the rate reconciliation table and provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate. There are also additional disclosures related to income taxes paid disaggregated by jurisdictions, and to income taxes paid. The ASU is effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of adoption of ASU 2023-09 on its consolidated financial statements and disclosures.

In March 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-01, "Scope Application of Profits Interest and Similar Awards". This ASU demonstrates how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted for in accordance with Topic 718, Compensation-Stock Compensation. The amendments in this update related to the scope application issue apply to all reporting entities that account for profits interest awards as compensation to employees or non-employees in return for goods or services. For public business entities, this ASU is effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company is evaluating evaluated the effect of this update on the Company's financial statements, statements and anticipates no material impact to the consolidated financial statements when adopted in the fiscal year beginning 2025.

In March 2024, the Financial Accounting Standards Board ("FASB") FASB issued Accounting Standards Update ("ASU") ASU 2024-02, "Codification Improvements-Amendments to Remove References to the Concepts Statements". The amendments in this Update affect a variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance. This update contains amendments to the Codification that remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior statements to provide guidance in certain topical areas. This ASU is effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company is evaluating evaluated the effect of this update on the Company's financial statements, statements and anticipates no material impact to the consolidated financial statements when adopted in the fiscal year beginning 2025.

3. Revenue

As of July 27, 2023, FCG was deconsolidated and accounted for as an equity method investment in the Company's unaudited condensed consolidated financial statements. The unaudited condensed consolidated statements of operations and comprehensive income (loss) therefore does not include activity related to FCG after deconsolidation during the ~~three~~ six months ended **March 31, 2024** ~~June 30, 2024~~, and ~~includes~~ ~~six~~ months of activity related to FCG prior to deconsolidation during the ~~three~~ six months ended **March 31, 2023** ~~June 30, 2023~~. After July 27, 2023, the assets and liabilities of FCG are no longer included within the Company's unaudited condensed consolidated balance sheet. Prior to deconsolidation, FCG's operations generated a majority of the Company's consolidated revenue and contract asset and liability balances. See **Deconsolidation of Falcon's Creative Group, LLC** under Note 1 – Description of business and basis of presentation. See total revenues of Falcon's Creative Group, LLC under Note 4 – Investments and advances to equity method investments.

Disaggregated components of revenue for the Company for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023, respectively, are as follows:

Services transferred over time:

Design and project management services

Media production services

Attraction hardware and turnkey sales

Other

Total revenue from services transferred over time

Services transferred at a point in time:

Digital media licenses

Total revenue from services transferred at a point in time

Total revenue

Three months ended March 31,		For the three months ended June 30		For the six months ended June 30		
		2024	2023	2024	2023	
Design and project management services	\$ —	\$ 5,916	\$ —	\$ 3,568	\$ —	\$ 9,484
Media production services	\$ —	75	\$ —	1,505	\$ —	1,578
Attraction hardware and turnkey sales	\$ —	1,874	\$ —	139	\$ —	2,013
Other	\$ 1,516	—	\$ 1,798	110	\$ 3,314	110
Total revenue from services transferred over time	\$ 1,516	\$ 7,865	\$ 1,798	\$ 5,322	\$ 3,314	\$ 13,185
Digital media licenses	\$ —	1,329	\$ —	\$ —	\$ —	\$ 1,331
Total revenue from services transferred at a point in time	\$ —	\$ 1,329	\$ —	\$ —	\$ —	\$ 1,331
Total revenue	\$ 1,516	\$ 9,194	\$ 1,798	\$ 5,322	\$ 3,314	\$ 14,516

In March 2023, the Company licensed the right to use Ride Media Content to Sierra Parima. See Note 7– Related party transactions for further discussion. After the deconsolidation of FCG, the Company recognizes related party revenue for corporate shared service support provided to FCG. Total related party revenues from services provided to our equity method investments were **\$1.5 million** **\$1.8 million** and **\$3.5 million** **\$0.7 million** for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively and **\$3.3 million** and **\$4.2 million** for the six months ended June 30, 2024 and 2023, respectively. Of the total related party revenues from services provided to our equity method investments, the Company recognized **\$1.5 million** **\$3.2 million** and **\$1.7 million** revenue related to **intercompany** services provided to FCG for the three and six months ended **March 31, 2024**, **June 30, 2024**, respectively.

The following table presents the components of our Accounts receivable, net:

	As of		As of	
	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	\$ 1,794	\$ 632	\$ 34	\$ 632
Related party				
Other	—	64	—	64
Total	\$ 1,794	\$ 696	\$ 34	\$ 696

There was no revenue recognized for the three months ended March 31, 2024 that was included in the contract liability balance as of December 31, 2023. Revenue recognized for the three six months ended March 31, 2023 June 30, 2023 that was included in the contract liability balance as of December 31, 2022 was \$1.1 million. \$1.2 million. This revenue was related to FCG, and therefore there was no revenue recognized for the six months ended June 30, 2024 that was included in the contract liability balance as of December 31, 2023 after FCG deconsolidation.

Geographic information

The Company has contracts with customers located in the United States, Caribbean, Saudi Arabia, Hong Kong, and Spain. The following table presents revenues based on the geographic location of the Company's customer contracts:

	Three months ended March 31,		For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023	2024	2023
	\$ —	\$ 5,621	\$ —	\$ 4,540	\$ —	\$ 10,161
Saudi Arabia	—	3,357	—	246	—	3,603
Caribbean	1,516	74	1,697	42	3,215	116
USA	—	126	—	393	—	519
Hong Kong	—	16	101	101	99	117
Other	1,516	\$ 9,194	\$ 1,798	\$ 5,322	\$ 3,314	\$ 14,516
Total revenue						

Destinations Operations

The Company had **no** \$0.1 million Destinations Operations revenue during the three **and six** months ended **March 31, 2024** **June 30, 2024**. Destinations Operations revenue was \$0.3 million for the **three** and **2023**, six months ended June 30, 2023, respectively.

4. Investments and advances to equity method investments

The Company accounts for its investments in unconsolidated joint ventures using the equity method of accounting. The Company's joint ventures are as follows:

i) *Falcon's Creative Group*

As of July 27, 2023, FCG was deconsolidated and accounted for as an equity method investment in the Company's unaudited condensed consolidated financial statements. See Deconsolidation of **Falcon's Creative Group, LLC** under Note 1 – Description of business and basis of presentation for a discussion of the terms of the Strategic Investment which required the deconsolidation of FCG. As of July 27, 2023, the Company recorded the investment in FCG at fair value, which was determined to be \$39.1 million.

As described in Note 1, the LLCA contains contractual provisions regarding the distribution of FCG's income or loss. Pursuant to these provisions, QIC is entitled to a redemption amount of the initial \$30.0 million investment plus a 9% annual compounding preferred return. As a result, QIC does not absorb losses from FCG that would cause its investment to drop below this redemption amount and any losses not absorbed by QIC are fully allocated to the Company. The Company will recognize 100% footnote to the "Company's Share of gain or (loss) from equity method" table below for further discussion on how the income related to its equity method investment in FCG based on and loss are shared between the terms of the LLCA, Company and will continue to recognize 100% of gains or (losses) until the equity accounts are split 25% : 75% QIC.

ii) *PDP*

PDP is an unconsolidated joint venture with Meliá Hotels International, S.A. ("Meliá Group") for the development and operation of hotel resorts and theme parks. The Company has 50% voting rights and shares 50% of profits and losses in this joint venture. PDP operates a hotel resort and theme park located in Mallorca, Spain and a hotel located at Tenerife in the Canary Islands.

iii) *Sierra Parima*

Sierra Parima is an equity method investment with Meliá Group for focused on the development and operation of hotel resorts and theme parks. The Company has 50% voting rights and shares 50% of profits and losses in this joint venture. Sierra Parima had one theme park in Punta Cana in the Dominican Republic, the Katmandu Park DR. The Company has concluded that Sierra Parima is a variable interest entity ("VIE"), that the Company does not have the power to direct the activities that most significantly impact the economic performance of Sierra Parima, as such decisions are taken by the unanimous consent of the representatives of the joint venture partners. The Company, therefore, does not consolidate Sierra Parima and accounts for the investment as an equity method investment.

Full Impairment of Investment in Sierra Parima

Katmandu Park DR completed construction and opened to visitors in early 2023. Although various operational challenges encountered upon opening were resolved, Katmandu Park DR visitor levels were below management's expectations. Melia and the Company jointly decided to wind down operations and are evaluating avenues for potential liquidation or sale of the property. On March 7, 2024, Katmandu Park DR was closed to visitors.

As of December 31, 2023, equity investment in Sierra Parima was deemed to be other-than-temporarily impaired. The Company estimated the fair value of its investment in Sierra Parima using probability weighted scenarios assigned to utilizing a discounted future cash flows, flow analysis and supported by a market multiples approach. The impairment is the result of management's estimates and assumptions regarding the likelihood of certain outcomes related to various liquidation and sale scenarios and pending legal matters, the timing of which remains uncertain. These estimates were determined primarily using significant unobservable inputs (Level 3). The estimates that the Company makes with respect to its equity method investment are based upon assumptions that management believes are reasonable, and the impact of variations in these estimates or the underlying assumptions could be material.

Based on the estimated sale or liquidation proceeds from Sierra Parima, and Sierra Parima's outstanding debts remaining to be settled, the fair value of the Company's investment in Sierra Parima was determined to be zero.

There are no other liquidity arrangements, guarantees or other financial commitments between the Company and Sierra Parima. The Company is not committed to provide any additional funding as of March 31, 2024 June 30, 2024. Any future capital fundings will be discretionary.

iv) Karnival

On November 2, 2021, the Company entered into a joint venture agreement to acquire a 50% interest in Karnival TP-AQ Holdings Limited ("Karnival"), a joint venture established with Raging Power Limited, a subsidiary of New World Development Company Limited ("Raging Power"). The purpose of the joint venture is to hold ownership interests in entities developing and operating amusement centers located in the People's Republic of China. The first location is currently under development in Hong Kong. The Company has concluded that Karnival is a VIE, that the Company does not have the power to direct the activities that most significantly impact the economic performance of Karnival, as such decisions are taken by the unanimous consent of the representatives of the joint venture partners. The Company, therefore, does not consolidate Karnival and accounts for the investment as an equity method investment. The Company and its joint venture **partner partners** are committed to funding non-interest-bearing advances of \$9 million (HKD 69.7 million) each, over a three-year period. As of **March 31, 2024** **June 30, 2024**, the Company had funded \$6.6 million (HKD **51.0 million** **51 million**). These advances are repayable to the joint venture partners based on a percentage of gross revenues from operations commencing from the first year of operations. The advances provided to Karnival are accounted for as investments and classified within Investments and advances to unconsolidated joint ventures equity method investments. There are no other liquidity arrangements, guarantees or other financial commitments between the Company and Karnival. Therefore, the Company's maximum risk of financial loss is the investment balance and remaining unfunded capital commitment of \$2.4 million (HKD 18.7 million) as of **March 31, 2024** **June 30, 2024**.

Investments and advances to equity method investments as of **March 31, 2024** **June 30, 2024** and December 31, 2023 consisted of the following:

	As of		As of	
	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
FCG	\$ 31,463	\$ 30,930	\$ 32,451	\$ 30,930
PDP	22,899	22,870	23,369	22,870
Karnival	6,930	6,843	7,006	6,843
	\$ 61,292	\$ 60,643	\$ 62,826	\$ 60,643

The Company's **share Share** of gain or (loss) from equity method investments for the three **and six** months ended **March 31, 2024**, **June 30, 2024** and 2023 comprised of:

	Three months ended March 31,		For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023	2024	2023
	\$ 533	\$ -	\$ 988	\$ -	\$ 1,521	\$ -
FCG ⁽¹⁾	\$ 534	91	656	284	1,190	375
PDP	-	(1,372)	-	(1,266)	-	(2,638)
Sierra Parima	87	2	76	126	163	128
Karnival	\$ 1,154	\$ (1,279)	\$ 1,720	\$ (856)	\$ 2,874	\$ (2,135)

(1) The share of loss from the Company's equity method investment in FCG is subsequent to FCG's deconsolidation on July 27, 2023. The Company recognized 100% of the income related to its equity method investment in FCG based on the terms of the LLCA, and will continue to recognize 100% of gains or (losses) until the split in equity accounts becomes 25% : 75%.

The following tables provide summarized balance sheet information for the Company's equity method investments:

	As of March 31, 2024		
	FCG	PDP	Karnival
Current assets	\$ 17,326	\$ 10,330	\$ 16,358
Non-current assets	29,630	84,704	1,822
Current liabilities	12,776	14,804	17,412
Non-current liabilities	9,247	34,435	-

	As of December 31, 2023			
	FCG	PDP	Sierra Parima	Karnival
Current assets	\$ 12,575	\$ 8,283	\$ 2,697	\$ 16,030
Non-current assets	19,730	87,280	18,714	1,805
Current liabilities	7,375	14,048	62,070	(17,250)
Non-current liabilities	1,801	35,777	9,973	-

The following tables provide summarized related party balances of FCG, Sierra Parima and PDP:

	As of March 31, 2024	
	FCG	PDP
Assets	\$ 2,420	\$ 946
Liabilities	3,914	1,867

	As of December 31, 2023		
	PDP	FCG	Sierra Parima
Assets	\$ 2,288	\$ 7,503	\$ 2,230
Liabilities	1,685	3,384	57,438

The following tables provide summarized statements of operations for the Company's equity method investments:

	Three months ended March 31, 2024	
	FCG ⁽¹⁾	PDP
Total revenues	\$ 14,927	\$ 7,455
Income from operations	1,579	1,330
Net income	1,803	954

(1) The share of loss from the Company's equity method investment in FCG is subsequent to FCG's deconsolidation on July 27, 2023. The Company recognized 100% of net income, less 9% preferred return to QIC and amortization of the basis difference of deconsolidation of FCG. For the three months ended June 30, 2024, the Company recognized \$1.0 million of net income from FCG, which equals the \$2.5 million total net income from FCG less adjustments of \$(1.3) \$(1.5) million comprised of \$(0.5) \$(0.7) million in accretion of preference dividend and fees, and \$(0.8) million in amortization of basis difference. For the six months ended June 30, 2024, the Company recognized \$1.5 million net income from FCG, which further reduced equals the share \$4.3 million total net income from FCG less adjustments of FCG income recorded to \$0.5 million, \$(2.8) million comprised of \$(1.1) million in accretion of preference dividend and fees, and \$(1.7) million in amortization of basis difference. The Company will continue to recognize 100% of the gains or (losses) in their to its equity method investment in FCG based on the terms of the LLCA and until the split in equity accounts becomes 25% related to QIC and 75% to the Company.

	Three months ended March 31, 2023	
	PDP	Sierra Parima
Total revenues	\$ 6,342	\$ 234
Income (loss) from operations	505	(2,736)
Net income (loss)	182	(2,744)

The following tables provide summarized balance sheet information for the Company's equity method investments:

	As of June 30, 2024		
	FCG	PDP	Karnival
Current assets	\$ 30,332	\$ 12,484	\$ 16,509
Non-current assets	29,198	83,451	2,434
Current liabilities	13,856	17,602	18,025
Non-current liabilities	6,260	31,596	-

	As of December 31, 2023			
	FCG	PDP	Sierra Parima	Karnival
Current assets	\$ 12,575	\$ 8,283	\$ 2,697	\$ 16,030
Non-current assets	19,730	87,280	18,714	1,805
Current liabilities	7,375	14,048	62,070	(17,250)
Non-current liabilities	1,801	35,777	9,973	-

The following tables provide summarized related party balances of FCG, Sierra Parima and PDP:

	As of June 30, 2024		
	FCG	PDP	Karnival
	\$ 14,208	\$ 2,009	
Assets	29	2,324	
Liabilities			

	As of December 31, 2023		
	PDP	FCG	Sierra Parima
	\$ 2,288	\$ 7,503	\$ 2,230
Assets	1,685	3,384	57,438
Liabilities			

The following tables provide summarized statements of operations for the Company's equity method investments:

	For the three months ended June 30			
	2024		2023	
	FCG	PDP	PDP	Sierra Parima
Total revenues	\$ 15,720	\$ 11,296	\$ 10,428	\$ 991
Income (loss) from operations	2,278	1,595	833	(2,487)
Net income (loss)	2,480	1,314	568	(2,529)

	For the six months ended June 30			
	2024		2023	
	FCG	PDP	PDP	Sierra Parima
Total revenues	\$ 30,647	\$ 18,751	\$ 16,770	\$ 1,225
Income (loss) from operations	3,857	2,925	1,338	(5,223)
Net income (loss)	4,283	2,268	750	(5,273)

The results of operations for Karnival for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 were not material for the periods presented and, as such, not included in the tables above. As of December 31, 2023, the equity investment in Sierra Parima was deemed to be other-than-temporarily impaired, and therefore, not included in the table above. See “*Full Impairment of Investment in Sierra Parima*” above.

The following table provides FCG, PDP and PDP's Sierra Parima's summarized related party activity for the three months ended **March 31, 2024**; **June 30, 2024** and 2023:

	For the three months ended June 30							
	Three months ended March 31, 2024		2024		2023			
	FCG ⁽¹⁾	PDP	FCG	PDP	PDP	Sierra Parima		
Total revenues	\$ 14,756	\$ 21	\$ 15,542	\$ 12	\$ 7	\$ 780		
Total expenses	82	992	1,749	1,034	922	3,434		

(1) The summarized results of FCG disclosed above are subsequent to FCG's deconsolidation on July 27, 2023.

The following table provides FCG, PDP and Sierra Parima and PDP's Parima's summarized related party activity for the **three** **six** months ended March 31, 2023; June 30, 2024 and 2023:

	Three months ended March 31, 2023		
			Sierra Parima
	PDP	Sierra Parima	
Total revenues	\$ 5	\$ 122	
Total expenses	859	423	
	For the six months ended June 30		
	2024		2023
	FCG	PDP	PDP
Total revenues	\$ 30,298	\$ 33	\$ 12
Total expenses	1,831	2,026	1,781
			\$ 1,090
			3,857

5. Accrued expenses and other current liabilities

The Company's Accrued expenses and other current liabilities consisted of:

	As of		As of	
	March 31, 2024		December 31, 2023	
	\$		\$	
Audit and professional fees	\$ 17,294		\$ 17,605	
Excise tax payable on FAST II stock redemptions	2,211		2,211	2,211
Accrued payroll and related expenses	654		592	1,011
Accrued interest	63		9	435
Project-related accruals	50		—	9
Demand note payable			50	—
Short-term advance from affiliate			796	—
Other	469		423	239
	\$ 20,741		\$ 20,840	\$ 23,513
				\$ 20,840

Accrued expenses and other current liabilities with related parties were **\$0.4 million** **\$1.3 million** and **\$0.5 million** as of **March 31, 2024** **June 30, 2024** and **December 31, 2023**, respectively.

6. Long-term debt and borrowing arrangements

The Company's indebtedness as of **March 31, 2024** **June 30, 2024** and December 31, 2023 consisted of the following:

	As of March 31, 2024		As of December 31, 2023		As of June 30, 2024		As of December 31, 2023	
	Amount	Interest Rate	Amount	Interest Rate	Interest Rate	Interest Rate	Interest Rate	Interest Rate
	_____	_____	_____	_____	_____	_____	_____	_____
\$10 million revolving credit arrangement – related party (due December 2026)	\$ 6,086	2.75 %	\$ 6,828	2.75 %	\$ 7,036	2.75 %	\$ 6,828	2.75 %
€1.5 million term loan (due April 2026)	857	1.70 %	980	1.70 %	750	1.70 %	980	1.70 %
\$12.785 million term loan – related party (due December 2026)	8,938	2.75 %	9,697	2.75 %	8,363	2.75 %	9,697	2.75 %
€7 million term loan (due April 2027)	4,428	6.00 %	4,861	6.00 %	4,066	5.69 %	4,861	6.00 %
\$7.25 million term loan – related party (due December 2027)	6,827	3.75 %	7,250	3.75 %	6,827	3.75 %	7,250	3.75 %
\$1.25 million term loan – (due March 31, 2025)	1,250	8.88 %	—	—	1,250	8.88 %	—	—
\$7.22 million term loan – related party (due March 31, 2025)	7,221	8.88 %	—	—	7,221	8.88 %	—	—
	35,607		29,616		35,513		29,616	
Less: Current portion of long-term debt and short-term debt	15,131		6,651		15,661		6,651	
	\$ 20,476		\$ 22,965		\$ 19,852		\$ 22,965	

As of **March 31, 2024** **June 30, 2024**, the remaining commitment available under the Company's related party revolving credit arrangements was the following:

	Available Capacity
\$10 million revolving credit arrangement (due December 2026)	\$ 3,914
	\$ 3,914

	Available Capacity
\$10 million revolving credit arrangement (due December 2026)	\$ 2,964
	\$ 2,964

\$10 million revolving credit arrangement

In December 2021, the Company entered into a \$10.0 million revolving credit arrangement with Collections (now known as Infinite Acquisitions). This arrangement, which is subject to an annual fixed interest rate of 2.75%, matures in December 2026.

€1.5 million term loan

In April 2020, the Company entered into a six-year €1.5 million Institute of Official Credit (ICO) term loan with a Spanish bank, with a fixed interest rate of 1.70%. The loan was interest only for the first twelve months, thereafter principal and interest is payable monthly in arrears.

\$12.785 million term loan

In December 2021, the Company entered into a five-year \$12.785 million term loan with Collections. The loan bears interest at 2.75% per annum. The loan was interest only for the first twelve months, thereafter principal and interest is payable quarterly in arrears.

€7 million term loan

In March 2019, the Company entered into a seven-year €7 million term loan with a Spanish bank, which was interest only for the first eighteen months, thereafter principal and interest was payable monthly in arrears. In January 2021, the loan was modified and bears interest at six-month Euribor plus 2.00%. Loan is collateralized by the Company's investment in PDP.

\$7.25 million Term Loan

In December 2022, the Company entered into a five-year \$7.25 million term loan with Infinite Acquisitions. The loan bears interest at 3.75% per annum. The loan was interest only for the first twelve months, thereafter principal and interest is payable quarterly in arrears.

\$1.25 million Term Loan

In March 2024, Falcon's Opcos entered into a one-year \$1.25 million term loan with Universal Kat Holdings, LLC, LLC ("Universal Kat"). The loan bears interest at 8.875% per annum, which is payable quarterly in arrears. On June 14, 2024, Falcon's Opcos entered into a loan amendment with Universal Kat to defer the first interest and principal payment from June 30, 2024 to the earlier of 1) September 30, 2024; 2) within five business days after the date upon which Falcon's Opcos receives a distribution of funds from PDP as result of an asset sale transaction; or 3) within five business days after the date upon which Falcon's Opcos receives cash proceeds as the result of a debt or equity fundraising transaction with a third-party resulting in net proceeds of \$20 million or more. Following the amendment above, Universal Kat assigned the entire loan to FAST Sponsor II, LLC ("FAST II Sponsor"), in exchange for the sale by FAST II Sponsor to Universal Kat of Class A shares of Falcon's Opcos held by FAST II Sponsor. Falcon's Opcos provided written consent on the assignment. This transfer was between FAST II and Universal Kat, and therefore there was no impact to the Company's financial statements as a result of this transfer. There were no additional changes to the loan agreement terms due to this reassignment.

\$7.221 million Term Loan

In March 2024, Falcon's Opcos entered into a one-year \$7.221 million term loan with Katmandu Ventures, LLC, LLC ("Katmandu Ventures"). The loan bears interest at 8.875% per annum, which is payable quarterly in arrears. On June 14, 2024, Falcon's Opcos entered into a loan amendment with Katmandu Ventures to defer the first interest and principal payment from June 30, 2024 to the earlier of 1) September 30, 2024; 2) within five business days after the date upon which Falcon's Opcos receives a distribution of funds from PDP as result of an asset sale transaction; or 3) within five business days after the date upon which Falcon's Opcos receives cash proceeds as the result of a debt or equity fundraising transaction with a third-party resulting in net proceeds of \$20 million or more.

Following the amendment above, Katmandu Ventures assigned \$6.3 million of the loan to FAST II Sponsor, in exchange for the sale by FAST II Sponsor to Katmandu Ventures of Class A shares of Falcon's Opcos held by FAST II Sponsor. Falcon's Opcos provided written consent on the assignment. This transfer was between FAST II and Katmandu Ventures, and therefore there was no impact to the Company's financial statements as a result of this transfer. The remaining \$0.9 million of the loan is still outstanding with Katmandu Ventures and will be paid according to the amended payment terms. There were no additional changes to the loan agreement terms due to this reassignment.

7. **Related party** **Related-party** transactions

Other current assets

As of March 31, 2024, the Company made short-term advances of \$2.1 million to FCG. The balance was repaid in full in April 2024.

Related party notes

In January 2023, the Company loaned \$2.5 million to Infinite Acquisitions for 20 days. The Company received interest income at 2.75% during this 20-day period. Interest income from this short-term related party advance was less than \$0 and \$0.1 million for the three and six months ended June 30, 2023, respectively.

Accrued expenses and other current liabilities

The Company has a short-term advance from PDP to Fun Stuff, S.L., a wholly-owned subsidiary of Falcon's Opcos ("Fun Stuff") for \$0.4 million issued in 2022, which is repayable within one year and non-interest bearing, \$0.2 million. As of March 31, 2024 June 30, 2024, the amount remained payable to PDP.

Long-term Related party debt

The Company has various long-term debt instruments with Infinite Acquisitions with accrued interest of \$0.1 million \$0.2 million and \$0.0 million \$0 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively related to these loans, loans, as well as with Katmandu Ventures, LLC with accrued interest of \$0.1 million and \$0 million as of June 30, 2024 and December 31, 2023, respectively. Accrued interest is included within Accrued expenses and other current liabilities on the unaudited condensed consolidated balance sheets.

Services provided to equity method investments

FCG has been contracted for various design, master planning, attraction design, hardware sales and commercial services for themed entertainment offerings by the Company's equity method investments. As of July 27, 2023 FCG has been deconsolidated and is also now accounted for as an equity method investment. See Deconsolidation of Falcon's Creative Group, LLC under Note 1 - Description of business and basis of presentation. Destinations Operations recognizes management and incentive fees from the Company's equity method investments. No revenue was recognized during the three months ended March 31, 2024 and 2023 due to the seasonality of the business. See Note 3 – Revenue.

Intercompany Services Agreement between FCG and the Company

In conjunction with the closing of the Subscription Agreement described in Note 1 – Description of business and basis of presentation, the Intercompany Services Agreement was established between FCG and the Company. Accounts receivable balances due from FCG to the Company of **\$1.8 million less than \$0.1 million** and \$0.6 million are outstanding under this Intercompany Service Agreement as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively. The Company recognized **\$1.5 million revenue** **\$1.7 million and \$3.2 million revenues** related to services provided to FCG for the three and six months ended **March 31, 2024** **June 30, 2024**. See Note 3 – Revenue.

FCG also provides marketing, R&D, and other services to FBG. The Company currently owes less than \$0.2 million does not owe anything to FCG related to these services as of **March 31, 2024** **June 30, 2024**, and less than \$0.1 million as of December 31, 2023. The Company has also incurred reimbursable costs on behalf of FCG subsequent to July 27, 2023. The Company has \$1.1 million and \$0.6 million in accounts receivable from FCG related to these reimbursable costs as of **March 31, 2024** December 31, 2023 and December 31, 2023, respectively. no accounts receivable balance outstanding from FCG as of June 30, 2024.

Digital media license revenue and related receivable with equity method investment

During March 2023, the Company licensed the right to use digital ride media content to Sierra Parima. The Company recognized digital media license revenue of **\$1.3 million** **\$0 million** and **\$1.5 million** for the three and six months ended **March 31, 2023** **June 30, 2023**.

On March 7, 2024, Sierra Parima's Katmandu Park DR was closed to visitors. Development plans for future parks, where this digital media license would have been deployed, have been deferred indefinitely, and the Company does not expect any future revenue from this digital media license in the near term.

Advance to Meliá Group

In January 2022, the Company advanced \$0.5 million to Meliá Group to be used by Meliá as an earnest money deposit for a potential land acquisition in Playa del Carmen intended for the site of a future hotel and entertainment development. The advance is non-interest bearing and has been classified in Other current assets as of March 31, 2024 and as of December 31, 2023.

Subscription agreement with Infinite Acquisitions

On October 4, 2023, in connection with the Business Combination, Infinite Acquisitions irrevocably committed to fund an additional approximately \$12.8 million to the Company by December 31, 2023 for a total financing from Infinite Acquisition of \$80.0 million. As of **March 31, 2024** **June 30, 2024**, Infinite Acquisitions has not met its commitment.

\$7.221 million Term Loan

In **March April** 2024, Falcon's Opcos entered into a one-year \$7.221 million term loan with Katmandu Ventures, LLC, a greater than 10% shareholder of the Company. The loan bears interest at 8.875% per annum, which is payable quarterly in arrears. As discussed in Note 6, Falcon's Opcos entered into a loan amendment with Katmandu Ventures to defer the first interest and principal payment to be no later than September 30, 2024. Following the amendment, Katmandu Ventures assigned \$6.3 million of the loan to FAST II Sponsor. The remaining \$0.9 million of the loan is still outstanding with Katmandu Ventures and will be paid according to the amended payment terms.

8. Income taxes

The tax provisions for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 were computed using the estimated effective tax rates applicable to the taxable jurisdictions for the full year. The Company's tax rate is subject to management's quarterly review and revision, as necessary. The Company's effective tax rate was 0% and 0.03% for the three and six months ended **March 31, 2024** **June 30, 2024**, respectively. The Company paid less than \$0.1 million in income taxes for the three and 2023, six months ended June 30, 2024, respectively. There were no income taxes paid by the Company for the three and six months ended June 30, 2023.

The Company records a provision or benefit for income taxes on pre-tax income or loss based on its estimated effective tax rate for the year. Given the Company's uncertainty regarding future taxable income, the Company maintains a full valuation allowance on its deferred tax assets. The Company did not record any income tax benefit for the three months ended June 30, 2024, and it recorded an income tax benefit of less than \$0.1 million for the **three** six months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** for the three and six months ended June 30, 2023. During the three and six months ended **March 31, 2023** **June 30, 2023** the Company had a valuation allowance only against its deferred tax assets in Spain.

9. Tax Receivable Agreement

On October 6, 2023, the partners of Falcon's Opcos at the time of the Acquisition Merger ("Exchange TRA Holders"), along with the Company (collectively the "TRA Holders"), entered into a Tax Receivable Agreement with Falcon's Opcos that provides for the payment by Falcon's Opcos to the TRA Holders of 85% of the amount of tax benefits, if any, that it realizes, or in some circumstances, is deemed to realize, as a result of (i) future redemptions funded by Falcon's Opcos or exchanges, or deemed exchanges in certain circumstances, of common units of Falcon's Opcos for the Company's Class A common stock, par value \$0.0001 per share ("Class A Common Stock") or cash, and (ii) certain additional tax benefits attributable to payments made under the Tax Receivable Agreement (the "TRA Payment").

During the **three** **six** months ended **March 31, 2024**, **2.0 million common units of Falcon's Opco and an equal number of shares of the Company's Class B common stock, par value \$0.0001 per share ("Class B Common Stock") were exchanged for 2.0 million shares of Class A Common Stock of the Company.** During the three Months ended **March 31, 2024** **June 30, 2024**, the Company did not recognize an increase to its net deferred tax assets due to the full valuation allowance. As a result of the exchanges during the quarter the Company did not recognize an increase to its net deferred tax assets.

10. Commitments and contingencies

Litigation — The Company is named from time to time as a party to lawsuits and other types of legal proceedings and claims in the normal course of business. As previously disclosed in the Company's Annual Report and its Current Report on Form 8-K filed with the SEC on May 6, 2024, and further disclosed in Form 10-Q filed on May 16, 2024, a lawsuit was filed against the Company **was served with a complaint (the "Guggenheim Complaint") on March 27, 2024 in which by Guggenheim Securities, LLC ("Guggenheim") alleges breach of a contract with Guggenheim, on March 27, 2024 in which Guggenheim alleges that the Company owes certain fees and expenses of \$11.1 million for services allegedly performed by Guggenheim in connection with the Business Combination which was consummated on October 6, 2023 (the "Guggenheim Complaint").** The Company has denied all liability in response to the Guggenheim Complaint. In addition, the Company has filed counterclaims against Guggenheim for fraudulent inducement, breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, negligence, fraudulent misrepresentation and negligent misrepresentation. Guggenheim has moved to dismiss the counterclaims. The case is in its early stages, discovery has commenced, and the Court has set a certificate of readiness for trial/note of issue date for June 28, 2025. As part of the Company's accounting for approach to transaction expenses related to the Business Combination, prior to the Company's receipt of the Guggenheim Complaint, the Company accrued \$11.1 million as of December 31, 2023 with respect to a contract the alleged amended engagement agreement with Guggenheim. The Company intends to vigorously defend itself against the claims alleged in the Guggenheim Complaint and contest the amounts Guggenheim asserts are owed.

Indemnification — In the ordinary course of business, the Company enters into certain agreements that provide for indemnification by the Company of varying scope and terms to customers, vendors, directors, officers, employees, and other parties with respect to certain matters. Indemnification includes losses from breach of such agreements, services provided by the Company, or third-party intellectual property infringement claims. These indemnitees may survive termination of the underlying agreement and the maximum potential amount of future indemnification payments, in some circumstances, are not subject to a cap. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, there were no known events or circumstances that have resulted in a material indemnification liability.

Commitments — As of January 1, 2024 the Company has entered into a commitment with The Hershey Licensing Company ("Hershey") to develop venues themed with Hershey's licensed trademarks and intellectual property in at least four locations by 2028. For each location, the Company is required to pay a one-time \$0.3 million development fee and an on-going royalty fee of 6% of gross sales starting in the year 2025. The development fee is due no later than 12 months prior to the scheduled opening of the respective locations. Under the agreement, the royalty is at minimum \$0.3 million for the year 2025 and 85% of the previous year's actual royalty paid for 2025 onward.

As of **March 31, 2024** **June 30, 2024** the Company has unfunded commitments to its unconsolidated joint venture Karnival of \$2.4 million (HKD 18.7 million). However, the Company does not currently have the liquidity to fund such amounts and the ability to do so in the future is contingent upon securing additional financing or capital raises. See Note 1 – Description of business and basis of presentation.

11. Segment information

The Company has five operating segments, Falcon's Creative Group, PDP, Sierra Parima, Destinations Operations and Falcon's Beyond Brands, all of which are reportable segments. The Company's Chief Operating Decision Makers are its Executive Chairman and Chief Executive Officer, who review financial information for purposes of making operating decisions, assessing financial performance, and allocating resources. Operating segments are organized based on product lines and, for our location-based entertainment, by geography. Results of operating segments include costs directly attributable to the segment including project costs, payroll and payroll-related expenses and overhead directly related to the business segment operations. Unallocated corporate expenses which include payroll and related benefits for executive, accounting, finance, marketing, human resources, legal and information technology support services, audit, tax corporate legal expenses are presented as Unallocated corporate overhead as a reconciling item between total income (losses) from reportable segments and the Company's unaudited condensed consolidated financial statement results.

Falcon's Creative Group provides master planning, media, interactive and audio production, project management, experiential technology and attraction hardware development services and attraction hardware sales on a work-for-hire model. Pursuant to the Subscription Agreement, Falcon's Creative Group is now deconsolidated effective July 27, 2023, and accounted for as an equity method investment in the Company's unaudited condensed consolidated financial statements. The operating segment still remains a reportable segment for the Company. [See Deconsolidation of Falcon's Creative Group, LLC under Note 1 – Description of business and basis of presentation and Note 4 – Investments and advances to equity method investments.](#)

The Company's equity method investments, PDP and Sierra Parima (before Katmandu Park DR was closed to visitors on March 7, 2024), develop, own and operate hotels, theme parks and retail, dining and entertainment venues. [See Note 4 – Investment and advances to equity method investments.](#) Destinations Operations provides development and management services for themed entertainment to PDP, Sierra Parima and new development opportunities. [opportunities, including our investment in Karnival.](#) The Company collectively refers to the Destination Operations, PDP and Sierra Parima as Falcon's Beyond Destinations.

Reportable segments' measure of profit and loss is earnings before interest, taxes, foreign exchange gain (loss), impairments, depreciation and amortization and change in fair values in warrant and earnout liabilities. See Note 7 – Related party transactions for transactions between the Company's wholly-owned businesses and equity method investments.

	Three months ended June 30, 2024							
	Falcon's Creative Group	Falcon's Beyond Destinations		Falcons Beyond Brands	Intersegment eliminations	Unallocated corporate overhead		Total
		Destination Operations	PDP					
Revenue	\$ 101	\$ 656	\$ -	\$ -	\$ -	\$ 1,697	\$ 1,798	
Share of gain or (loss) from equity method investments	988	76	656	-	-	-	1,720	
Segment income (loss) from operations	988	(339)	656	(794)	-	(2,309)	(1,798)	
Depreciation and amortization expense							(2)	
Interest expense							(438)	
Interest income							3	
Change in fair value of warrant liabilities							(2,599)	
Change in fair value of earnout liabilities							13,006	
Foreign exchange transaction loss							(144)	
Net income							\$ 8,028	
Three months ended June 30, 2023								
	Falcon's Creative Group	Falcon's Beyond Destinations		Falcons Beyond Brands	Intersegment eliminations	Unallocated corporate overhead		Total
		Destination Operations	PDP					
	\$ 5,245	\$ 106	\$ —	\$ —	\$ 4	\$ (33)	\$ —	\$ 5,322
Revenue	\$ 5,245	\$ 106	\$ —	\$ —	\$ 4	\$ (33)	\$ —	\$ 5,322
Share of gain or (loss) from equity method investments	—	126	284	(1,264)	—	(2)	—	(856)
Segment income (loss)	(315)	(251)	284	(1,264)	(1,223)	(16)	(5,480)	(8,265)
Depreciation and amortization expense								(174)
Interest expense								(295)
Interest income								45
Foreign exchange transaction loss								(129)
Income tax benefit								16
Net loss								\$ (8,802)

	Three months ended March 31, 2024							Six months ended June 30, 2024										
	Falcon's		Falcon's Beyond Destinations			Falcons		Unallocated		Falcon's		Falcon's Beyond Destinations			Falcons		Unallocated	
	Creative Group	Destination Operations	PDP	Sierra Parima	Beyond Brands	Intersegment eliminations	corporate overhead	Total	Creative Group	Destination Operations	PDP	Beyond Brands	Intersegment eliminations	corporate overhead	Total			
Revenue	\$ —	\$ —	(2)	\$ —	\$ —	\$ —	\$ —	\$ 1,518	\$ 1,516	\$ —	\$ 99	\$ —	\$ —	\$ 3,219				
Share of gain or (loss) from equity method investments, excluding impairments	533	87	534	—	—	—	—	—	1,154									
Share of gain from equity method investments										1,521	163	1,190						
Segment income (loss) from operations	533	(414)	534	—	(663)	—	(4,148)	(4,158)	1,521	(753)	1,190	(1,457)		(6,457)				
Depreciation and amortization expense										(1)								
Gain (loss) of sale of assets										(2)								
Share of equity method investee's impairment of fixed assets										—								
Loss on sale of assets																		
Interest expense										(269)								
Interest income										3								
Change in fair value of warrant liabilities										208								
Change in fair value of earnout liabilities										118,615								
Foreign exchange transaction gains (losses)										(373)								
Foreign exchange transaction loss																		
Income tax benefit										1								
Net loss										\$ 114,024								
Net income																		

	Three months ended March 31, 2023								Six months ended June 30, 2023					
	Falcon's		Falcon's Beyond Destinations		Falcons		Unallocated		Falcon's		Falcon's Beyond Destinations		Falcons	
	Creative Group	Destination Operations	PDP	Sierra Parima	Beyond Brands	Intersegment eliminations	corporate overhead	Total	Creative Group	Destination Operations	PDP	Sierra Parima	Beyond Brands	Intersegment eliminations
Revenue	\$ 8,002	\$ —	\$ —	\$ —	\$ 1,477	\$ (285)	\$ —	\$ 9,194	\$ 13,247	\$ 106	\$ —	\$ —	\$ 1,481	\$ (318)
Share of gain or (loss) from equity method investments	—	2	91	(1,372)	—	—	—	(1,279)	128	375	(2,636)	—	—	(2)
Segment income (loss) from operations	(413)	(547)	91	(1,372)	129	(226)	(6,501)	(8,839)	(728)	(798)	375	(2,636)	(1,094)	(242)
Segment income (loss)														
Depreciation and amortization expense									(1,342)					
Interest expense									(271)					
Foreign exchange transaction gain (loss)									599					
Other income														
Foreign exchange transaction gain														
Income tax benefit									3					
Net loss									<u><u>\$ (9,850)</u></u>					

12. Fair value measurement

The following table provides information related to the Company's assets and liabilities measured at fair value on a recurring basis as of **March 31, 2024**, **June 30, 2024** and **December 31, 2023**:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liabilities	\$ 6,290	\$ -	\$ 290,765	\$ 6,290
Earnout liabilities	\$ 6,290	\$ -	\$ 290,765	\$ 290,765
	\$ 6,290	\$ -	\$ 290,765	\$ 297,055
March 31, 2024				
	Level 1	Level 2	Level 3	Total
	\$ 3,691	\$ -	\$ 370,026	\$ 3,691
Warrant liabilities	\$ 3,691	\$ -	\$ 370,026	\$ 370,026
Earnout liabilities	\$ 3,691	\$ -	\$ 370,026	\$ 373,717
	\$ 3,691	\$ -	\$ 370,026	\$ 373,717
December 31, 2023				
	Level 1	Level 2	Level 3	Total
	\$ 3,904	\$ -	\$ 488,641	\$ 3,904
Warrant liabilities	\$ 3,904	\$ -	\$ 488,641	\$ 488,641
Earnout liabilities	\$ 3,904	\$ -	\$ 488,641	\$ 492,545
	\$ 3,904	\$ -	\$ 488,641	\$ 492,545

The warrant liability fair value is based on quoted market prices in active markets, and therefore is classified within Level 1 of the fair value hierarchy. The earnouts based on revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as the earnouts based on the Company's stock price have been classified within Level 3 of the hierarchy as the fair value is derived using a Monte Carlo simulation analysis in a risk neutral framework, which uses a combination of observable (Level 2) and unobservable (Level 3) inputs. Key estimates and assumptions impacting the fair value measurement include the Company's revenue and EBITDA forecasts as well as the assumptions listed in the tables below. The fair value measurement associated with the earnout liability is highly sensitive to changes in stock price and forecasted amounts for revenue through 2024. Any changes to stock price and forecasted revenues in 2024 will result in remeasurement of the earnout liability and could result in material gains or losses being recognized in the **condensed consolidated** statement of operations and comprehensive income (loss).

The Company estimated the fair value per share of the underlying common stock based, in part, on the results of third-party valuations and additional factors deemed relevant. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the earnouts. The Company **estimated a 0% expected dividend yield as of March 31, 2024**, **has not paid dividends and does not intend to do so in the foreseeable future**, based on the fact that prior to the Business Combination, the Company had never paid or declared dividends and does not intend to do so in the foreseeable future. Prior to the Business Combination, the Company was a private company and lacked company-specific historical and implied volatility information of its stock, and as such, the expected stock volatility was based on the historical volatility of publicly traded peer companies for a term equal to the remaining expected term of the warrants.

The following table presents the unobservable inputs of the earnout liability for earnout shares based on revenue and EBITDA targets:

	Amount
Current stock price	10.25
Earnout period – beginning	7/1/2023
Earnout period – end	12/31/2024
Equity volatility, EBITDA volatility	25.0 %
Operational leverage ratio	65.00 %
Revenue volatility	10.00 %
Revenue/stock price correlation	45.00 %
EBITDA/stock price correlation	35.00 %
Revenue discount rate	9.37 %
Dividend yield	0.00 %
June 30, 2024	
Current stock price	10.46
Earnout period – beginning	7/1/2023
Earnout period – end	12/31/2024
Equity volatility, EBITDA volatility	25.0 %
Operational leverage ratio	65.00 %
Revenue volatility	10.00 %
Revenue/stock price correlation	45.00 %
EBITDA/stock price correlation	35.00 %
Revenue discount rate	9.47 %
Dividend yield	0.00 %
December 31, 2023	
Current stock price	12.30
Earnout period – beginning	7/1/2023
Earnout period – end	12/31/2024
Equity volatility, EBITDA volatility	25.0 %
Operational leverage ratio	65.00 %
Revenue volatility	10.00 %
Revenue/stock price correlation	45.00 %
EBITDA/stock price correlation	35.00 %
Revenue discount rate	9.21 %
Dividend yield	0.00 %

The following table presents the unobservable inputs of the earnout liability for earnout shares based on the Company's stock price:

	Amount
Term (years)	5.5
Volatility	40.00 %
Risk-free rate	4.16 %
Dividend yield	0.00 %
Current stock price	10.25
June 30, 2024	
Term (years)	5.3
Volatility	40.00 %
Risk-free rate	4.28 %
Dividend yield	0.00 %
Current stock price	10.46
December 31, 2023	
Term (years)	5.8
Volatility	40.00 %
Risk-free rate	3.80 %
Dividend yield	0.00 %
Current stock price	12.3

The following table summarizes the activity for the Company's Level 3 instruments measured at fair value on a recurring basis (in thousands):

	Earnout Liabilities	Earnout Liabilities
Balance as of December 31, 2023	\$ 488,641	\$ 488,641
Issuances	-	-
Change in fair value	(118,615)	(118,615)
Balance as of March 31, 2024	\$ 370,026	\$ 370,026
Release of earnout shares		(66,255)
Change in fair value		(13,006)
Balance as of June 30, 2024		\$ 290,765

There were no transfers between Level 1 and Level 2, nor into and out of Level 3, during the periods presented.

13. Equity and net loss per share

Authorized Capitalization

The total amount of the Company's authorized capital stock consists of (a) 650,000,000 shares of Common Stock, par value \$0.0001 per share consisting of (i) 500,000,000 shares of Class A Common Stock and (ii) 150,000,000 shares of Class B Common Stock, and (b) 30,000,000 shares of preferred stock, par value \$0.0001 per share, of which 12,000,000 shares are classified and designated as 8% Series A cumulative convertible preferred stock share.

Common Stock

The rights of the holders of Class A Common Stock and Class B Common Stock have various terms, as follows:

Each holder of common stock is entitled to one vote for each share of common stock held of record by such holder on all matters on which stockholders generally are entitled to vote. Shares of Class B Common Stock carry the same voting rights as shares of Class A Common Stock but have no economic terms. Class B Common Stock is exchangeable, along with common units of Falcon's Opc, into Class A Common Stock.

Preferred Stock

There are no outstanding shares of preferred stock as of **March 31, 2024** June 30, 2024 or December 31, 2023.

The weighted average **units** shares of common stock outstanding for the three **and six** months ended **March 31, 2024** June 30, 2024 used to determine the Company's Net income per share reflects the following:

	For the period from December 31, 2023 to March 31, 2024
<i>(amounts in thousands, except number of shares and amount per share)</i>	
Numerator:	
Net income	\$ 114,024
Net income attributable to noncontrolling interests	\$ 96,855
Net income available to Class A common stockholders	\$ 17,169
Adjustment for dilutive earn out units at Falcon's Beyond Global, LLC	\$ (3,083)
Dilutive net income attributable to Class A common stockholders	\$ 14,086
Denominator:	
Weighted average Class A common stock outstanding – basic	9,021,520
Adjustment for dilutive Class A earnout shares	187,500
Weighted average Class A common stock outstanding – diluted	9,209,020
Net income per Class A common share – basic:	1.90
Net income per Class A common share – diluted:	1.53

	For three months ended June 30, 2024	For six months ended June 30, 2024
<i>(amounts in thousands, except number of shares and amount per share)</i>		
Numerator:		
Net income	8,028	122,052
Net income attributable to noncontrolling interests	6,794	103,648
Net income available to Class A common stockholders	1,234	18,404
Adjustment for dilutive earnout units at Falcon's Beyond Global, LLC	(1,174)	(5,055)
Dilutive net income attributable to Class A common stockholders	60	13,349
Denominator:		
Weighted average Class A common stock outstanding – basic	10,008,941	9,515,230
Adjustment for dilutive Class A earnout shares	57,692	216,346
Weighted average Class A common stock outstanding – diluted	10,066,633	9,731,576
Net income per Class A common share – basic:	0.12	1.93
Net income per Class A common share – diluted:	0.01	1.37

The Company applies the treasury stock method to the Warrants and restricted stock units ("RSUs"), the contingently issuable shares method to the Earnout shares, and the if-converted method for the Exchangeable noncontrolling interests, if dilutive. The following securities were not included in the computation because the effect would be anti-dilutive or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the period:

	For the period from December 31, 2023 to March 31, 2024	
	For the three months ended June 30, 2024	For the six months ended June 30, 2024
Class A earnout shares	1,750,000	
Class B earnout shares	68,250,000	
Warrants to purchase common stock	5,198,420	
RSUs	931,437	
Class A earnout shares	1,437,500	1,312,500
Class B earnout shares	56,062,500	51,187,500
Warrants to purchase common stock	5,198,420	5,198,420
RSUs	966,630	966,630

14. Stock warrants

As of **March 31, 2024** June 30, 2024, there are **5,380,360** 5,198,420 warrants outstanding. The warrants outstanding are exercisable, at an exercise price of \$11.50 per share, for 1.034999 shares of Class A common stock. The Company issued 7,349 warrants **were converted into** of Class A Common Stock upon the exercise of warrants during the **three** six months ended **March 31, 2024** June 30, 2024. The warrants do not meet the criteria for equity treatment under ASC 815. As such, the warrants are classified as liabilities and are adjusted to fair value at the end of each reporting period. The Company remeasures the fair value of the warrants based on their quoted market price. For the three and six months ended **March 31, 2024** June 30, 2024, the Company recognized **\$0.2** million \$2.6 million and \$2.4 million of **gain losses** related to the change in fair value of warrant liabilities respectively, which is recognized in Change in fair value of warrant liabilities in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

The following table summarizes the Company's outstanding common stock warrants as of **March 31, 2024** June 30, 2024:

Year of Issue	Number of Shares Issuable	Exercise Price	Expiration Date	Classification	Number of Shares Issuable	Exercise Price	Expiration Date	Classification
2023	5,380,360	\$ 11.50	Oct-2028	Liability	5,380,360	11.5	10/1/2028	Liability

15. Earnouts

At the closing of the Business Combination, the Company issued 1,937,500 Earnout Shares in the form of Class A Common Stock and 75,562,500 Earnout Shares in the form of Class B Common Stock. The Earnout Shares were placed into an escrow account for the benefit of certain holders pursuant to the Merger Agreement.

On May 10, 2024, shareholders owning Earnout Shares were notified of the Earnout Shares forfeited for the 2023 performance awards, based on the issued Annual Report in the Form 10-K. 312,500 Earnout Shares in the form of Class A Common Stock were forfeited and 12,187,500 Earnout Shares in the form of Class B Common Stock were forfeited.

Earnout Shares were deposited into escrow at the Closing and will be earned, released and delivered upon satisfaction of certain milestones related to the EBITDA of the Company and the gross revenue of the Company during periods between July 1, 2023 and December 31, 2024 and the volume weighted average closing sale price of the Company's shares of Class A Common Stock during the five-year period beginning on the one-year anniversary of the Acquisition Merger and ending on the six-year anniversary of the Acquisition Merger. During the **three and six months ended June 30, 2024**, 187,500 Class A shares were earned and released. During the **three and six months ended June 30, 2024**, 7,312,500 Class B shares were earned and released.

The Earnout Shares are classified as a liability and measured at fair value, with changes in fair value included in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

The fair value of the earnout liability was **\$370.0 million** \$290.8 million and \$488.6 million as of **March 31, 2024** June 30, 2024 and December 31, 2023, respectively. For the **three and six months ended March 31, 2024** June 30, 2024, respectively, the Company recognized **\$118.6 million** \$131.6 million and \$13.0 million of gain related to the change in fair value of earnout liabilities included in Change in fair value of earnout liabilities in the unaudited condensed consolidated statement of operations and comprehensive income (loss). In addition, the earnout liability was further reduced by \$66.2 million for the shares released from escrow. See Note 12 – Fair value measurement, measurement for the activity related to the earnout liability during the six months ended June 30, 2024.

16. Share-Based Compensation

The Company adopted a share-based compensation plan (the "Plan") under which 931,437 966,630 RSUs are registered outstanding. Each vested Restricted Stock Unit represents the right to receive one Class A Common Share. Under the Plan, RSUs with service-based conditions may be granted to directors, officers, employees, and non-employees. RSUs were granted to employees of both the Company and FCG. However, FCG fully reimburses FBG for the compensation cost associated with these grants. As such, expenses related to the RSUs granted to employees of FCG do not represent a purchase of services or contribution to FCG.

The RSUs do not provide the grantee with an option to choose settlement in cash or stock. The holder of the RSU shall not be, nor have any of the rights or privileges of, a shareholder of the Company, including, without limitation, voting rights and rights to dividends, in respect to the RSUs and any shares underlying the RSUs and deliverable under the Plan unless and until such shares shall have been issued by the Company and held of record by such holder. A summary of the Plan's RSUs award activity is as follows:

	Restricted Stock Units
Nonvested at January 1, 2024	939,330
Granted	50,874
Forfeited	23,574
	Restricted Stock Units
Vested	
Nonvested at January 1, 2024 June 30, 2024	939,330 966,630
Granted	7,893
Forfeited	7,893
Vested	
Nonvested at March 31, 2024	931,437
Wested at March 31, 2024 June 30, 2024	-

The RSUs under the Plan will vest over a five-year period following the one-year anniversary of the date of grant. The grant date of all RSUs associated with the Plan is December 21, 2023, May 21, 2024, and June 25, 2024. The fair value of these RSUs is estimated based on the fair value of the Company's common stock on the date of grant using the closing price on the day of grant. A summary of the Plan's RSUs vesting schedule is as follows:

Vesting Date for RSUs granted on December 21, 2023	RSU Vested (% of total)
December 21, 2024	15.0%
December 21, 2025	17.5%
December 21, 2026	20.0%
December 21, 2027	22.5%
December 21, 2028	25.0%

Vesting Date for RSUs granted on May 21, 2024	RSU Vested (% of total)
May 21, 2025	15.0%
May 21, 2026	17.5%
May 21, 2027	20.0%
May 21, 2028	22.5%
May 21, 2029	25.0%

Vesting Date for RSUs granted on June 25, 2024	RSU Vested (% of total)
June 25, 2025	15.0%
June 25, 2026	17.5%
June 25, 2027	20.0%
June 25, 2028	22.5%
June 25, 2029	25.0%

The Company elected the straight-line attribution method to account for the compensation cost over the five-year requisite service period for the entire award, as long as the participant continues to provide service to the Company. Forfeitures are accounted for at the time the forfeiture occurs.

The Company recognized stock-based compensation expense of \$0.3 million \$0.4 million and \$0.7 million for the three and six months ended March 31, 2024 June 30, 2024, which is included within selling, general and administrative expenses in the unaudited condensed consolidated statements of operations and comprehensive income (loss). The \$0.2 million and \$0.4 million compensation cost for RSU's granted to FCG employees is for the three and six months ended June 30, 2024, are recognized as a receivable from FCG and does do not impact the Company's unaudited condensed consolidated statements of operations and comprehensive income (loss).

17. Subsequent events

On April 16, 2024, QIC released the remaining \$12.0 million of the \$30.0 million investment to FCG upon the establishment of the employee retention and attraction incentive program. These funds can be used by FCG to fund its operations and growth and cannot be used to satisfy the commitments of other segments.

Subsequent to March 31, 2024 June 30, 2024, Infinite Acquisitions has loaned an additional \$0.2 million \$0.9 million to the Company pursuant to the revolving credit arrangement.

On May 10, 2024, shareholders owning Earnout Shares were notified of the Earnout Shares earned and forfeited for the 2023 performance awards, based on the issued Annual Report in the Form 10-K. 187,500 and 312,500 Earnout Shares in the form of Class A Common Stock were earned and forfeited, respectively. 7,312,500 and 12,187,500 Earnout Shares in the form of Class B Common Stock were earned and forfeited, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operations of the Company is provided to supplement the unaudited condensed consolidated financial statements and the accompanying notes of the Company as of and for the three and six months ended **March 31, 2024** **June 30, 2024**, and 2023, included elsewhere in this Quarterly Report. We intend for this discussion to provide the reader with information to assist in understanding the Company's unaudited condensed consolidated financial statements and the accompanying notes, the changes in those financial statements and the accompanying notes from period to period along with the primary factors that accounted for those changes. Certain information contained in this management's discussion and analysis includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors. Please see "Cautionary Note Regarding Forward-Looking Statements," in this Quarterly Report.

Overview of Business

The Company operates at the intersection of three potential high-growth business opportunities: content, technology, and experiences. We aim to engage, inspire and entertain people through our creativity and innovation, and to connect people with brands, with each other, and with themselves through the combination of digital and physical experiences. At the core of our business is brand creation and optimization, facilitated by our multi-disciplinary creative teams. The Company has three business divisions, which are conducted through five operating segments.

Our business divisions complement each other as we pursue our growth strategy: (i) the Company's Falcon's Creative Group division ("FCG") creates master plans, designs attractions and experiential entertainment, and produces content, interactives and software; (ii) the Company's Falcon's Beyond Destinations division ("FBD"), consisting of Producciones de Parques, S.L., a joint venture between Falcon's and Meliá Hotels International, S.A. ("Meliá") ("PDP"), Sierra Parima S.A.S., a joint venture between Falcon's and Meliá ("Sierra Parima") (Sierra Parima's Katmandu Park DR was closed to visitors on March 7, 2024), and Destinations Operations, develops a diverse range of entertainment experiences using both Falcon's owned and third party licensed intellectual property, spanning location-based entertainment, dining, and retail; and (iii) the Company's Falcon's Beyond Brands division ("FBB") endeavors to bring brands and intellectual property to life through animation, movies, licensing and merchandising, gaming, as well as ride and technology sales.

We recently went public and listed our shares on Nasdaq on October 6, 2023 in connection with a Business Combination with FAST Acquisition Corp. II.

Our unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). All amounts are shown in thousands of U.S. dollars unless otherwise stated.

The following reflects our results of operations for the three and six months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**.

Overview of FCG

Since July 27, 2023, FCG has been deconsolidated and accounted for as an equity method investment in the Company's unaudited condensed consolidated financial statements. FCG generates generated a majority of the Company's consolidated revenue and contract asset and liability balances. Any discussions related to results, operations, and accounting policies associated with FCG are referring to the periods prior to deconsolidation. After deconsolidation, as of July 27, 2023, FCG's results of operations are included in the Company's consolidated statement of operations and comprehensive income (loss) as a component of Share of gain (loss) from equity method investments.

On July 27, 2023, pursuant to the Subscription Agreement (the “Subscription Agreement”) by and between FCG and QIC Delaware, Inc., a Delaware corporation and an affiliate of Qiddiya Investment Company (“QIC”), QIC agreed to invest \$30.0 million in FCG (the “Strategic Investment”). On July 27, 2023, in connection with the Strategic Investment, FCG received a net closing payment from QIC of \$17.5 million (net of \$0.5 million in reimbursements). In addition, in March 2024, the Company established the Falcon’s Beyond Global, LLC Long-Term Incentive Plan, effective as of January 1, 2024 (the “OpcO Incentive Plan”) to allow Falcon’s OpcO to reward certain eligible employees of Falcon’s OpcO and its subsidiaries, including FCG. As a result of establishing the OpcO Incentive Plan, in April 2024, QIC released the remaining \$12.0 million investment into FCG pursuant to the terms of the Subscription Agreement. These funds are to be used exclusively by FCG to fund its operations and growth and cannot be used to satisfy the commitments of other segments.

Liquidity and Going Concern

The Company has been engaged in expanding its operations through its equity method investments, developing new product offerings, raising capital and recruiting personnel. As a result, the The Company has incurred a loss from operations, an accumulated deficit, and negative cash flows from operating activities for the three and six months ended **March 31, 2024** June 30, 2024. Accordingly, as of **May 16, 2024** August 13, 2024, the Company performed an evaluation of its ability to continue as a going concern through at least twelve months from the date of the issuance of the interim unaudited condensed consolidated financial statements.

The Company's development plans, and investments have been funded by a combination of debt and committed equity contributions from its stockholders, and the Company is reliant upon its stockholders and third parties for obtaining additional financing through debt or equity raises to fund its working capital needs, contractual commitments, and expansion plans. As of **March 31, 2024** June 30, 2024, the Company has **incurred accrued** material amounts of expenses in relation to its external advisors, accountants and legal costs in relation to the Business Combination. The Company has a working capital deficiency of **(\$36.2)** 24.6 million which excludes non-cash earnout liability balance and debt that is maturing in the next 12 months as of **March 31, 2024** June 30, 2024. Additionally, the Company has **\$15.1 million** **\$15.7 million** in debt that is maturing in the next 12 months. The Company does not currently have sufficient cash or liquidity to pay liabilities that are owed or are maturing at this time. There can be no assurance that additional capital or financing raises, if completed, will provide the necessary funding for the next twelve months from the date of this Quarterly Report. This Quarterly Report does not reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

In April 2024, Falcon's Opco entered into a term loan agreement with Katmandu Ventures, LLC ("Katmandu Ventures"), a greater than 10% shareholder of the Company, pursuant to which Katmandu Ventures made a loan to Falcon's Opco in the principal amount of approximately \$7.2 million, and a term loan agreement with Universal Kat Holdings, LLC ("Universal Kat") pursuant to which Universal Kat has made a loan to Falcon's Opco in the principal amount of approximately \$1.3 million. Such term loans bear interest at a rate of 8.88% per annum, payable quarterly in arrears, and will mature on March 31, 2025. Approximately \$5.4 million of the proceeds of the term loans was used to repay a portion of the outstanding loans under the Infinite Acquisitions revolving credit arrangement.

On June 14, 2024, Falcon's Opco entered into a loan amendment with Katmandu Ventures and Universal Kat to defer the first interest and principal payment from June 30, 2024 to the earlier of 1) September 30, 2024; 2) within five business days after the date upon which Falcon's Opco receives a distribution of funds from Producciones De Parques, S.L. as result of an asset sale transaction; or 3) within five business days after the date upon which Falcon's Opco receives cash proceeds as the result of a debt or equity fundraising transaction with a third party resulting in net proceeds of \$20 million or more.

Following the amendments above, Universal Kat assigned its entire loan, and Katmandu Ventures assigned \$6.3 million of its loan, to FAST Sponsor II, LLC ("FAST II Sponsor"), in exchange for the sale of Class A shares of Falcon's Opco held by FAST II Sponsor. Falcon's Opco provided written consent on the assignment. This transfer was between FAST II Sponsor and Katmandu Ventures and Universal Kat, respectively. There were no additional changes to the loan agreement terms due to this assignment.

Results of Operations

The following comparisons are historical results and are not indicative of future results, which could differ materially from the historical financial information presented.

Three months ended June 30, 2024, compared to three months ended June 30, 2023

The results of operations for the three months ended **March 31, 2023** June 30, 2023 include activity related to FCG prior to deconsolidation on July 27, 2023. Any discussions related to results, operations, and accounting policies associated with FCG are referring to the periods prior to deconsolidation. See *Deconsolidation of Falcon's Creative Group LLC* under Note 1 – Description of business and basis of presentation and Note 4 – Investments and advances to equity method investments in the Company's unaudited condensed consolidated financial statements.

The following table summarizes our results of operations for the following periods:

	Three months ended March 31, 2024	Three months ended March 31, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023
Revenue	\$ 1,516	\$ 9,194	\$ 1,798	\$ 5,322
Expenses:				
Project design and build expense	-	6,288	—	3,141
Selling, general and administrative expense	6,793	9,749	5,308	9,151
Transaction expenses	7	-		
Credit loss expense	12	254		
Research and development	16	463	10	439
Depreciation and amortization expense	1	1,342	2	174
Loss from operations	(5,313)	(8,902)	(3,522)	(7,583)
Share of gain or (loss) from equity method investments	1,154	(1,279)	1,720	(856)
Interest expense	(269)	(271)	(438)	(295)
Interest income	3	-	3	45
Change in fair value of warrant liabilities	208	-	(2,599)	—
Change in fair value of earnout liabilities	118,615	-	13,006	—
Foreign exchange transaction gain (loss)	(375)	599	(142)	(129)
Net loss	\$ 114,023	\$ (9,853)		
Net income (loss)			\$ 8,028	\$ (8,818)
Income tax benefit	1	3	—	16
Net loss	\$ 114,024	\$ (9,850)		
Net income (loss)			\$ 8,028	\$ (8,802)

Revenue
Revenue

	Three months ended June 30, 2024	Three months ended June 30, 2023
Services transferred over time:		
Design and project management services	\$ —	\$ 3,568
Media production services	—	1,505
Attraction hardware and turnkey sales	—	139
Other	1,798	110
Total revenue from services transferred over time	1,798	5,322
Services transferred at a point in time:		
Digital media licenses	—	—
Total revenue from services transferred at a point in time	—	—
Total revenue	\$ 1,798	\$ 5,322
	Three months ended March 31, 2024	Three months ended March 31, 2023
Services transferred over time:		
Design and project management services	\$ —	\$ 5,916
Media production services	—	75
Attraction hardware and turnkey sales	—	1,874
Other	1,516	—
Total revenue from services transferred over time	1,516	7,865
Services transferred at a point in time:		
Digital media licenses	—	1,329
Total revenue from services transferred at a point in time	—	1,329
Total revenue	\$ 1,516	\$ 9,194

Revenue decreased by **\$7.7 million** **\$3.5 million** to **\$1.5 million** **\$1.8 million** for the three months ended **March 31, 2024** **June 30, 2024**, compared to **\$9.2 million** **\$5.3 million** for the three months ended **March 31, 2023** **June 30, 2023**. The decrease was primarily attributable to a **\$7.9 million** **\$5.2 million** decrease in revenue relating to services provided by FCG during the three-month period **ending March 31, 2023** **ended June 30, 2023** which have since been deconsolidated by FBG. As a result of the deconsolidation, there was a **\$1.5 million** **\$1.7 million** increase in revenue associated with shares **shared** services provided by FBG to FCG during the three-month period **ending March 31, 2024** **ended June 30, 2024**.

The Company's investment in FCG is accounted for under the equity method and, as such, FCG project management and design revenue and related expenses are no longer included in the results of operations subsequent to the deconsolidation of FCG on July 27, 2023.

Selling, general and administrative expense

Selling, general and administrative expense decreased by ~~\$2.9 million~~ \$3.9 million to ~~\$6.8 million~~ \$5.3 million for the three months ended ~~March 31, 2024~~ June 30, 2024, compared to ~~\$9.7 million~~ \$9.2 million for the three months ended ~~March 31, 2023~~ June 30, 2023. The decrease was primarily related to a ~~\$4.7 million~~ \$2.9 million decrease in audit fees and professional services fees, a \$0.7 million decrease in office and administrative expenses, and a \$0.6 million decrease in sales and marketing expenses due to the deconsolidation of ~~FCG~~, FCG. These decreases were partially offset by incremental ~~shared-services~~ shared services headcount to support the expansion of the business and for public company related ~~costs~~ costs, representing a \$0.3 million increase to payroll, payroll taxes, and benefits.

Credit loss expense Research and Development

Credit loss expenses Research and development expense decreased by ~~\$ 0.3 million~~ \$0.4 million to less than \$0.1 million for the three months ended ~~March 31, 2024~~ June 30, 2024, compared to ~~\$0.3 million~~ \$0.4 million for the three months ended March 31, 2023, which was related to digital media sales to Sierra Parima joint venture. Katmandu Park DR was closed to visitors on March 7, 2024 and all remaining Sierra Parima receivables were written off as credit loss expense during the year ended December 31, 2023. The Katmandu Park DR related receivables accounted for most of the delinquent receivables, therefore the amount of credit loss expense is lower during the three months ended March 31, 2024.

Research and Development

Research and development expense decreased by \$0.5 million to less than \$0.1 million for the three months ended March 31, 2024, compared to \$0.5 million for the three months ended March 31, 2023 June 30, 2023 due to completion of FBB division projects in 2023. There were no FBB research and development projects in the three-month period ended March 31, 2024 June 30, 2024.

Depreciation and amortization expense

Depreciation and amortization expense decreased by \$1.3 million \$0.2 million to less than \$0.1 million for the three months ended March 31, 2024 June 30, 2024, compared to \$1.3 \$0.2 million for three months ended March 31, 2023, relating primarily to the amortization of the digital ride media asset of \$1.1 million recognized in the three months ended March 31, 2023 when the asset was licensed for use by Sierra Parima June 30, 2023. The majority of fixed assets and intangible assets were deconsolidated as part of FCG on July 27, 2023, and the digital ride media asset fully impaired during the year ended December 31, 2023, and therefore, depreciation and amortization related to those fixed assets and intangible assets was not included in the three months ended March 31, 2024 June 30, 2024.

Share of gain or (loss) from equity method investments

	Three months ended March 31, 2024	Three months ended March 31, 2023	Change	Three months ended June 30, 2024	Three months ended June 30, 2023
PDP	\$ 534	\$ 91	\$ 443	\$ 656	\$ 284
Sierra Parima	-	(1,372)	1,372	-	(1,266)
Karnival	87	2	85	76	126
FCG	533	-	533	988	-
Total share of gain or (loss) from equity method investments	\$ 1,154	\$ (1,279)	\$ 2,433	\$ 1,720	\$ (856)

Share of gain from equity method investments increased by \$2.4 million \$2.6 million to \$1.1 million \$1.7 million for the three months ended March 31, 2024 June 30, 2024, compared to a (\$1.3) 0.9 million loss for the three months ended March 31, 2023 June 30, 2023. The change in gain or loss from equity method investments was driven by:

- **FCG:** Share of net income from FCG was \$0.5 million \$1.0 million for the three months ended March 31, 2024 June 30, 2024 which was consolidated by the Company during the three months ended March 31, 2023 June 30, 2023.
- FCG recorded revenues of \$14.9 million \$15.7 million in the three-month period ended March 31, 2024 June 30, 2024 representing an increase of \$6.9 million \$10.5 million or 87% 202% over the corresponding period of 2023 when FCG was fully consolidated by the Company. Additionally, as previously announced on January 18, 2024, FCG entered into a consultancy agreement with QIC to provide a Dragon Ball theme park over the course of approximately two years. FCG recognized \$11.5 million in revenue relating to this Dragon Ball consultancy agreement during the three months ended June 30, 2024. Operating income of \$1.6 million \$2.3 million, and net income of \$1.8 million \$2.5 million were earned during the three months ended March 31, 2024 June 30, 2024, compared with to an operating loss of \$1.2 million (\$1.1) million and net loss of \$1.2 million (\$1.1) million for the corresponding period of 2023.
- The Company recognizes 100% of net income from FCG, less the 9% preferred return to QIC and the amortization of the basis difference of deconsolidation of FCG. There were FCG net income of \$2.5 million for the three months ended June 30, 2024 was reduced by adjustments of (\$1.3) (\$1.5) million comprised of (\$0.5) (\$0.7) million in accretion of preference dividend and fees, and (\$0.8) (\$0.8) million in amortization of basis difference, which further reduced the share of FCG income recorded to \$0.5 million. See Note 4 – Investments and advances to equity method investments in the Company's unaudited condensed consolidated financial statements. Additionally, as previously announced on January 18, 2024, FCG entered into a consultancy agreement with QIC to provide a Dragon Ball theme park over the course of approximately two years. The Company recognized \$9.8 million in revenue relating to this Dragon Ball consultancy agreement during the three months ended March 31, 2024 difference.

- **Sierra Parima:** As of December 31, 2023, equity investment in Sierra Parima was deemed to be other-than-temporarily impaired and the fair value of the Company's investment in Sierra Parima was determined to be zero. Therefore, there was no gain or loss recorded during the three months ended **March 31, 2024** **June 30, 2024**, compared with to a **\$1.4 million** **\$1.3 million** share of net loss during the three months ended **March 31, 2023** **June 30, 2023**. See Note 4– Investments and advances to equity method investments in the Company's unaudited condensed consolidated financial statements.
- **PDP:** Share of net income from PDP increased by \$0.4 million for the three months ended **March 31, 2024** **June 30, 2024**, compared to the amount in the corresponding period in 2023, primarily driven by a **\$1.1 million** **\$0.8 million** increase in **revenue** and **PDP's underlying income from operations**, offset by a **\$0.4 million** **favorable** less than **(\$0.1) million** **unfavorable** change in derivatives, which changed from loss to income, driven by interest rate swaps within the hotel group. These favorable changes were The **\$0.8 million** increase in **PDP's income from operations** was resulted from a **\$0.9 million** increase in **PDP's revenue**, offset by a **\$0.3 million** **(\$0.1) million** increase in **its hotel expenses** and a **\$0.5 million** **unfavorable** change in **income taxes**, which changed from a benefit to a loss **expenses**. The Company recognized its 50% share of **PDP's earnings**.
- **Karnival:** A less than **\$0.1 million** **increase** **decrease** in share of net income from Karnival for three months ended **March 31, 2024**, primarily driven by **interest income**. **June 30, 2024**.

Change in fair value of warrant liability

Gain**Loss** due to change in fair value of warrant liabilities was **\$0.2 million** **(\$2.6) million** for the three months ended **March 31, 2024** **June 30, 2024**. The warrant liability relates to the Business Combination which occurred after **March 31, 2023** **June 30, 2023**, therefore there was no such loss during the three months ended **March 31, 2023** **June 30, 2023**. Changes in the fair value of warrant liabilities are related primarily to changes in share market price.

Change in fair value of earnout liability

Gain due to change in fair value of earnout liability was **\$118.6 million** **\$13.0 million** for the three months ended **March 31, 2024** **June 30, 2024**, driven by a **\$7.6 million** decrease in the market price of the Company's stock between **December 31, 2023** **March 31, 2024** and April 29, 2024 when the 2023 performance-based awards were remeasured prior to release of shares from escrow, and a **\$9.1 million** decrease from change in assumptions regarding performance expectations in Q4 2024 due to timing of contracts, partially offset by a **(\$3.7) million** increase in the remaining earnout liabilities due to an increase in the market price of the Company's Class A Common Stock between March 31, 2024 and June 30, 2024. The earnout liability relates to the Business Combination which occurred after **March 31, 2023** **June 30, 2023**, therefore, there was no such loss during the three months ended **March 31, 2023** **June 30, 2023**. The valuation of performance-based awards, such as earnouts, are sensitive to revenue, EBITDA, and changes in share market price. As of June 30, 2024, the Company determined the EBITDA threshold was not met.

Foreign exchange transaction loss

Foreign exchange transaction loss decreased by **\$1.0 million** to was **(\$0.4) 0.1** million for both the three months ended **March 31, 2024**, compared to **\$0.6 million** for the three months ended **March 31, 2023**. The decrease was primarily attributable to the unrealized foreign exchange gain (loss) on U.S. denominated related party debt with a Spanish subsidiary as the U.S. dollar strengthened against the Euro during the quarter ended **March 31, 2024** **June 30, 2024** and weakened against the Euro during the quarter ended **March 31, 2023** **June 30, 2023**.

Income tax

Income tax benefit was less than **\$0.1 million** for both the three months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**.

Segment Reporting

The following table presents selected information about our segment's results for the three months ended **March 31, 2024** June 30, 2024, and 2023. Subsequent to FCG's deconsolidation on July 27, 2023, FCG segment income or loss is comprised of only **the Company's equity method share of FCG's income or loss**:

	Three months ended March 31, 2024	Three months ended March 31, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023
Revenues:				
Falcon's Creative Group	\$ -	\$ 8,002	\$ —	\$ 5,245
Destinations Operations	(2)	-	101	106
Falcon's Beyond Brands	-	1,477	—	4
Intersegment eliminations	-	(285)	—	(33)
Unallocated corporate revenue	1,518	-	1,697	—
Total revenue	1,516	9,194	1,798	5,322
Segment income (loss) from operations:				
Falcon's Creative Group	533	(413)	988	(315)
Destinations Operations	(414)	(547)	(339)	(251)
PDP	534	91	656	284
Sierra Parima	-	(1,372)	—	(1,264)
Falcon's Beyond Brands	(663)	129	(794)	(1,223)
Intersegment eliminations	-	(226)	—	(16)
Total segment loss from operations	(10)	(2,338)		
Total segment income (loss) from operations			511	(2,785)
Unallocated corporate overhead	(4,148)	(6,501)	(2,309)	(5,480)
Depreciation and amortization expense	(1)	(1,342)	(2)	(174)
Interest expense	(269)	(271)	(438)	(295)
Interest income	3	-	3	45
Change in fair value of warrant liabilities	208	-	(2,599)	—
Change in fair value of earnout liabilities	118,615	-	13,006	—
Foreign exchange transaction (loss) gain	(375)	599		
Net loss before income taxes	\$ 114,023	\$ (9,853)		
Foreign exchange transaction loss			(144)	(129)
Net income (loss) before income taxes			\$ 8,028	\$ (8,818)
Income tax benefit	1	3	—	16
Net loss	\$ 114,024	\$ (9,850)		
Net income (loss)			\$ 8,028	\$ (8,802)

Total revenue for the three months ended **March 31, 2024** June 30, 2024, decreased by **\$7.7 million** \$3.5 million to **\$1.5 million** \$1.8 million compared to **\$9.2 million** \$5.3 million for the three months ended **March 31, 2023** June 30, 2023, primarily driven by the deconsolidation of FCG on July 27, 2023 since FCG accounted for the majority of the revenue at FBG. This decrease in revenue related to the deconsolidation of FCG is partially offset by an increase in revenue relating to shared services agreement between FBG and FCG. See *Deconsolidation of Falcon's Creative Group LLC* under Note 1 – Description of business and basis of presentation.

Total segment **loss** income (loss) from operations for the three months ended **March 31, 2024** June 30, 2024, **decreased** increased by **\$2.2 million** \$3.3 million to **less than (\$0.1) million** \$0.5 million income compared to **(\$2.3) 2.8 million** **loss** for the three months ended **March 31, 2023** June 30, 2023, due to the following:

- FCG segment income from operations for the three months ended **March 31, 2024** June 30, 2024, increased by **\$0.9 million** \$1.3 million to **\$0.5 million** \$1.0 million income as compared to loss of **\$0.4 million** (\$0.3) million in the three months ended **March 31, 2023** June 30, 2023, primarily as a result of an increase in revenues and improved margins on new long-term contracts. These positive results were partially offset by adjustments of **\$(1.3) (\$1.5)** million comprised of **\$(0.5) (\$0.7)** million in accretion of preference dividend and fees, and **\$(0.8) (\$0.8)** million in amortization of basis difference, which further reduced the share of FCG income recorded to **\$0.5 million** difference.
- Destinations Operations segment loss from operations was **(\$0.3) million** for both the three months ended **March 31, 2024** June 30, 2024, decreased **\$0.1 million** to **\$0.4 million** loss compared to loss of **\$0.5 million** for the three months ended **March 31, 2023** June 30, 2023. The small decrease in loss is related to a **\$0.1 million** increase in share of equity method income allocated to Destinations Operations, related to interest income, for the quarter ended **March 31, 2024** compared to **March 31, 2023** June 30, 2024 and June 30, 2023.

- PDP segment income for the three months ended **March 31, 2024** June 30, 2024, increased by \$0.4 million to **\$0.5 million** \$0.7 million from **\$0.1 million** \$0.3 million for the three months ended **March 31, 2023** June 30, 2023. PDP's underlying revenues income from operations increased **\$1.3 million** to **\$7.5 million** \$1.6 million for the three-months three months ended **March 31, 2024** June 30, 2024, compared to \$0.8 million for the three months ended June 30, 2023. The \$0.8 million increase in PDP's income from operations was driven by a \$0.9 million increase in revenue from \$10.4 million for the three months ended June 30, 2023 to \$11.3 million for the three months ended June 30, 2024, resulted from increases in rate occupancy and rates at the Mallorca and Tenerife hotel properties. Net income increased to \$1.0 million from \$0.2 million for the three-months ended March 31, 2024 driven by a \$0.8 million flow through of increased revenues to operating profit and a \$0.5 million increase in derivative and other net income, properties, partially offset by a \$0.5 million (\$0.1) million unfavorable increase in hotel expenses. The favorable change in PDP's net income tax expenses, due to the increase in the income from operations was further offset by a less than (\$0.1) million unfavorable change in derivative income. The Company recognized its 50% share of earnings within the PDP segment.

- Sierra Parima segment loss for the three months ended **March 31, 2024** June 30, 2024, was **zero** \$0.0 compared to **(1.4)** 1.3 million for the three months ended **March 31, 2023** June 30, 2023. The park closed in March of 2024 following financial, operational, and infrastructure challenges, closing the segment going forward. There were no segment operations to report for Sierra Parima segment for the quarter ending **March 31, 2024** three months ended June 30, 2024 since the investment has been fully impaired as of December 31, 2023 and the Company has no further obligation to participate in losses of Sierra Parima.
- FBB segment **income (loss) loss** from operations for the three months ended **March 31, 2024** June 30, 2024 decreased **\$0.8 million** by **\$0.4 million** to **(0.7)** 0.8 million compared to **income loss of \$0.1 million** (\$1.2) million for the three months ended **March 31, 2023** June 30, 2023. For the quarter three months ended **March 31, 2023** June 30, 2024, FBB did not have any revenue and incurred selling, general and administrative expenses of \$0.8 million, resulting in segment loss of (\$0.8) million. For the three months ended June 30, 2023, FBB recorded revenue of less than \$0.1 million and recognized **\$1.5 million** \$0.8 million of **revenue related to a digital media licensing contract with Sierra Parima**. This revenue was offset by **\$1.0 million** selling, general and administrative expenses and \$0.4 million of research and development expense, resulting in income a loss of **\$0.1 million** (\$1.2) million for FBB for the quarter ended **March 31, 2023** June 30, 2023. For the quarter ended **March 31, 2024**, income decreased by **\$1.5 million** to **\$0** since FBB did not have any income, and additionally, selling, general, and administrative expenses as well as research and development expense both decreased by **\$0.3** and **0.4 million**, respectively, resulting in segment loss of **(\$0.7)** million.
- Intersegment eliminations decreased by **\$0.2 million** less than **\$0.1 million** for the three months ended **March 31, 2024** June 30, 2024 due to the deconsolidation of FCG on July 27, 2023. There are no other intersegment eliminations.

Reportable segment measures of profit and loss are earnings before interest, foreign exchange gains and losses, unallocated corporate expenses, impairments and depreciation and amortization expense. Results of operating segments include costs directly attributable to the segment including project costs, payroll and payroll-related expenses and overhead directly related to the business segment operations. Unallocated corporate overhead costs include costs related to accounting, audit, and corporate legal expenses. Unallocated corporate overhead costs are presented as a reconciling item between total income (losses) from reportable segments and the Company's consolidated financial results. For more information about our Segment Reporting, see Note **16** **11** – Segment information in the Company's unaudited condensed consolidated financial statements.

Six months ended June 30, 2024, compared to six months ended June 30, 2023

The results of operations for the six months ended June 30, 2023 include activity related to FCG prior to deconsolidation on July 27, 2023. Any discussions related to results, operations, and accounting policies associated with FCG are referring to the periods prior to deconsolidation. See Deconsolidation of Falcon's Creative Group LLC under Note 1 – Description of business and basis of presentation and Note 4 – Investments and advances to equity method investments in the Company's unaudited condensed consolidated financial statements.

The following table summarizes our results of operations for the following periods:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenue	\$ 3,314	\$ 14,516
Expenses:		
Project design and build expense	—	9,429
Selling, general and administrative expense	12,101	18,900
Transaction expenses	7	—
Credit loss expense	12	254
Research and development	26	902
Depreciation and amortization expense	3	1,516
Loss from operations	(8,835)	(16,485)
Share of gain or (loss) from equity method investments	2,874	(2,135)
Interest expense	(707)	(566)
Interest income	6	45
Change in fair value of warrant liabilities	(2,391)	—
Change in fair value of earnout liabilities	131,621	—
Foreign exchange transaction gain (loss)	(517)	470
Net income (loss)	\$ 122,051	\$ (18,671)
Income tax benefit	1	19
Net income (loss)	\$ 122,052	\$ (18,652)

Revenue

	Six months ended June 30, 2024	Six months ended June 30, 2023
Services transferred over time:		
Design and project management services	\$ —	\$ 9,484
Media production services	—	1,578
Attraction hardware and turnkey sales	—	2,013
Other	3,314	110
Total revenue from services transferred over time	<u>3,314</u>	<u>13,185</u>
Services transferred at a point in time:		
Digital media licenses	—	1,331
Total revenue from services transferred at a point in time	<u>—</u>	<u>1,331</u>
Total revenue	<u>\$ 3,314</u>	<u>\$ 14,516</u>

Revenue decreased by \$11.2 million to \$3.3 million for the six months ended June 30, 2024, compared to \$14.5 million for the six months ended June 30, 2023. The decrease was primarily attributable to a \$13.1 million decrease in revenue relating to services provided by FCG during the six-month period ended June 30, 2023 which has since been deconsolidated by FBG. As a result of the deconsolidation, there was a \$3.2 million increase in revenue associated with shares services provided by FBG to FCG during the six-month period ended June 30, 2024.

The Company's investment in FCG is accounted for under the equity method and, as such, FCG project management and design revenue and related expenses are no longer included in the results of operations subsequent to the deconsolidation of FCG on July 27, 2023.

Selling, general and administrative expense

Selling, general and administrative expense decreased by \$6.8 million to \$12.1 million for the six months ended June 30, 2024, compared to \$18.9 million for six months ended June 30, 2023. The decrease was primarily related to a \$5.5 million decrease in audit fees and professional services fees, a \$1.1 million decrease in office and administrative expenses, and a \$1.1 million decrease in sales and marketing expenses due to and the deconsolidation of FCG. These decreases were partially offset by incremental shared-services headcount to support the expansion of the business and for public company related costs, representing a less than \$1.0 million increase in payroll, payroll taxes, and benefits.

Credit loss expense

Credit loss expense decreased \$0.3 million to less than \$0.1 million for the six months ended June 30, 2024, compared to \$0.3 million for the six months ended June 30, 2023.

Research and Development

Research and development expense decreased \$0.9 million to less than \$0.1 million for the six months ended June 30, 2024, compared to \$0.9 million for the six months ended June 30, 2023 due to completion of FBB division projects. There were no FBB research and development projects in the six-month period ended June 30, 2024.

Depreciation and amortization expense

Depreciation and amortization expense decreased \$1.5 million to less than \$0.1 million for six months ended June 30, 2024, compared to \$1.5 million for six months ended June 30, 2023, relating primarily to the amortization of the digital ride media asset of \$1.1 million recognized in the six months ended June 30, 2023 when the asset was licensed for use by Sierra Parima. The majority of fixed assets and intangible assets were deconsolidated as part of FCG on July 27, 2023, and the digital ride media asset fully impaired during the year ended December 31, 2023, and therefore depreciation and amortization related to those fixed assets and intangible assets was not included in the six months ended June 30, 2024.

Share of gain or loss from equity method investments

	Six months ended June 30, 2024	Six months ended June 30, 2023
PDP	\$ 1,190	\$ 375
Sierra Parima	—	(2,638)
Karnival	163	128
FCG	1,521	—
Total share of gain or (loss) from equity method investments	\$ 2,874	\$ (2,135)

Share of gain or loss from equity method investments increased by \$5.0 million to a \$2.9 million gain for the six months ended June 30, 2024, compared to a (\$2.1) million loss for the six months ended June 30, 2023. The change in gain or loss from equity method investments was driven by:

- **FCG:** Share of net income from FCG was \$1.5 million for the six months ended June 30, 2024 which was consolidated by the Company during the six months ended June 30, 2023. FCG recorded revenues of \$30.6 million in the six-month period ended June 30, 2024 representing an increase of \$17.5 million or 134% over the corresponding period of 2023 when FCG was fully consolidated by the Company. Additionally, as previously announced on January 18, 2024, FCG entered into a consultancy agreement with QIC to provide a Dragon Ball theme park over the course of approximately two years. FCG recognized \$21.3 million in revenue relating to this Dragon Ball consultancy agreement during the six months ended June 30, 2024. Operating income of \$3.9 million, and net income of \$4.3 million were earned during the six months ended June 30, 2024, compared to an operating loss of (\$2.3) million and net loss of (\$2.4) million for the corresponding period of 2023.
- The Company recognizes 100% of net income, 9% preferred return to QIC and amortization of the basis difference of deconsolidation of FCG. FCG net income of \$4.3 million for the six months ended June 30, 2024 was reduced by adjustments of \$2.8 million comprised of \$1.1 million in accretion of preference dividend and fees, and \$1.7 million in amortization of basis difference. See Note 4- Investments and advances to equity method investments in the Company's unaudited condensed consolidated financial statements.
- **Sierra Parima:** As of December 31, 2023, equity investment in Sierra Parima was deemed to be other-than-temporarily impaired and the fair value of the Company's investment in Sierra Parima was determined to be zero. Therefore, there was no gain or loss recorded during the six months ended June 30, 2024, compared to a \$2.6 million share of net loss during the six months ended June 30, 2023. See Note 4- Investments and advances to equity method investments in the Company's unaudited condensed consolidated financial statements.
- **PDP:** Share of net income from PDP increased by \$0.8 million for the six months ended June 30, 2024 compared to the corresponding period in 2023, primarily driven by a \$1.6 million increase in PDP's underlying income from operations, a \$0.1 million favorable change in finance costs, \$0.3 million favorable change in PDP's derivatives, driven by interest rate swaps within the hotel group, and a (\$0.5) unfavorable increase in PDP's income tax expenses. The \$1.6 million increase in PDP's income from operations was resulted from a \$2.0 million increase in PDP's revenue, offset by a (\$0.4) million unfavorable increase in hotel expenses. The Company recognized its 50% share of PDP's earnings.
- **Karnival:** A \$0.1 million increase in share of net income from Karnival for the six months ended June 30, 2024, primarily driven by interest income.

Interest expense

Interest expense increased by \$0.1 million to \$0.7 million for the six months ended June 30, 2024, compared to \$0.6 million for the six months ended June 30, 2023.

Change in fair value of warrant liability

Loss due to change in fair value of warrant liabilities was (\$2.4) million for the six months ended June 30, 2024. The warrant liability relates to the Business Combination which occurred after June 30, 2023, therefore there was no such loss during the six months ended June 30, 2023. Changes in the fair value of warrant liabilities are related primarily to changes in share market price.

Change in fair value of earnout liability

Gain due to change in fair value of earnout liability was \$131.6 million for the six months ended June 30, 2024, driven by a \$20.6 million decrease in the market price of the Company's stock between December 31, 2023 and April 29, 2024 when the 2023 performance based awards were remeasured prior to release of shares from escrow, a \$9.4 million change in assumptions regarding performance expectations in Q4, 2024 due to timing of contracts, and a \$101.6 million decrease in the remaining earnout liabilities due to a decrease in the market price of the Company's Class A Common Stock between December 31, 2023 and June 30, 2024. The earnout liability relates to the Business Combination which occurred after June 30, 2023, therefore, there was no such loss during the six months ended June 30, 2023. The valuation of performance-based awards, such as earnouts, are sensitive to revenue, EBITDA, and changes in share market price. As of June 30, 2024, the Company determined the EBITDA threshold was not met.

Foreign exchange transaction loss

Foreign exchange transaction loss increased \$1.0 million to (\$0.5) million loss for the six months ended June 30, 2024, compared to \$0.5 million gain for the six months ended June 30, 2023. The decrease was primarily attributable to the unrealized foreign exchange loss on U.S. denominated related party debt with a Spanish subsidiary as the U.S. dollar strengthened against the Euro during the six months ended June 30, 2023 and weakened against the Euro during the six months ended June 30, 2024.

Income tax

Income tax benefit was less than \$0.1 million for both the six months ended June 30, 2024 and June 30, 2023.

Segment Reporting

The following table presents selected information about our segment's results for the six months ended June 30, 2024, and 2023. Subsequent to FCG's deconsolidation on July 27, 2023, FCG segment income or loss is comprised of only the Company's equity method share of FCG's income or loss:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenues:		
Falcon's Creative Group	\$ —	\$ 13,247
Destinations Operations	99	106
Falcon's Beyond Brands	—	1,481
Intersegment eliminations	—	(318)
Unallocated corporate revenue	3,215	—
Total revenue	3,314	14,516
Segment income (loss) from operations:		
Falcon's Creative Group	1,521	(728)
Destinations Operations	(753)	(798)
PDP	1,190	375
Sierra Parima	—	(2,636)
Falcon's Beyond Brands	(1,457)	(1,094)
Intersegment eliminations	—	(242)
Total segment income (loss) from operations	501	(5,123)
Unallocated corporate overhead	(6,457)	(11,981)
Depreciation and amortization expense	(3)	(1,516)
Loss on sale of assets	(2)	—
Interest expense	(707)	(566)
Interest income	6	45
Change in fair value of warrant liabilities	(2,391)	—
Change in fair value of earnout liabilities	131,621	—
Foreign exchange transaction (loss) gain	(517)	470
Net income (loss) before income taxes	\$ 122,051	\$ (18,671)
Income tax benefit	1	19
Net income (loss)	\$ 122,052	\$ (18,652)

Total revenue for the six months ended June 30, 2024 decreased \$11.2 million to \$3.3 million compared to \$14.5 million for the six months ended June 30, 2023, primarily driven by the deconsolidation of FCG on July 27, 2023 since FCG accounted for the majority of the revenue at FBG. This decrease in revenue related to the deconsolidation of FCG is partially offset by an increase in revenue relating to shared services agreement between FBG and FCG. See *Deconsolidation of Falcon's Creative Group LLC* under Note 1 – Description of business and basis of presentation.

Total segment gain from operations increased \$5.4 million to a \$0.4 million gain for the six months ended June 30, 2024, compared to (\$5.0) million loss for the six months ended June 30, 2023 due to the following:

- FCG segment income from operations increased \$2.2 million from (\$0.7) million segment loss in the six months ended June 30, 2023 to \$1.5 million segment gain in the six months ended June 30, 2024, primarily as a result of an increase in revenues and improved margins on new long-term contracts. These positive results were partially offset by adjustments of (\$2.8) million comprised of (\$1.1) million in accretion of preference dividend and fees, and (\$1.7) million in amortization of basis difference.
- Destination Operations segment loss from operations for the six months ended June 30, 2024 remained consistent at (\$0.8) million for the six months ended June 30, 2023.
- PDP segment income for the six months ended June 30, 2024, increased by \$0.8 million to \$1.2 million from \$0.4 million for the six months ended June 30, 2023. PDP's income from operations increased to \$2.9 million for the six months ended June 30, 2024, compared to \$1.3 million for the six months ended June 30, 2023. The \$1.6 million increase in PDP's income from operations was driven by a \$2.0 million increase in revenue from \$16.8 million for the six months ended June 30, 2023 to \$18.8 million for the six months ended June 30, 2024, resulted from increases in occupancy and rates at the Mallorca and Tenerife hotel properties, partially offset by a (\$0.4) million unfavorable increase in hotel expenses. The favorable change in PDP's net income due to the increase in the income from operations was further increased by \$0.1 million favorable change in finance costs, \$0.3 million favorable change in derivative income and offset by (\$0.5) million increase in income tax expenses. The Company recognized its 50% share of earnings within the PDP segment.

- Sierra Parima segment loss for the six months ended June 30, 2024 decreased \$2.6 million to \$0 million compared to (\$2.6) million the six months ended June 30, 2023. The park closed in March of 2024 following financial, operational, and infrastructure challenges, closing the segment going forward. There were no segment operations to report for Sierra Parima segment for the six months ended June 30, 2024 since the investment has been fully impaired as of December 31, 2023 and the Company has no further obligation to participate in losses of Sierra Parima.
- FBB segment loss from operations for the six months ended June 30, 2024 increased by \$0.4 million to (\$1.5) million compared to (\$1.1) million for the six months ended June 30, 2023. For the six months ended June 30, 2024, FBB did not record any revenue but incurred \$1.5 million in selling, general and administrative expenses, resulting in segment loss of (\$1.5) million. For the six months ended June 30, 2023, FBB recorded revenue of \$1.5 million and recognized \$1.8 million of selling, general and administrative expenses and \$0.8 million of research and development expenses, resulting in segment loss of (\$1.1) million.
- Intersegment eliminations for the six months ended June 30, 2024 decreased \$0.2 million to \$0 million compared to (\$0.2) million for the six months ended June 30, 2023 due to the deconsolidation of FCG on July 27, 2023. There are no other intersegment eliminations.

Reportable segment measures of profit and loss are earnings before interest, foreign exchange gains and losses, unallocated corporate expenses, impairments and depreciation and amortization expense. Results of operating segments include costs directly attributable to the segment including project costs, payroll and payroll-related expenses and overhead directly related to the business segment operations. Unallocated corporate overhead costs include costs related to accounting, audit, and corporate legal expenses. Unallocated corporate overhead costs are presented as a reconciling item between total income (losses) from reportable segments and the Company's consolidated financial results. For more information about our Segment Reporting, see Note 11 – Segment Information in the Company's unaudited condensed consolidated financial statements.

Non-GAAP Financial Measures

We prepare our unaudited condensed consolidated financial statements in accordance with US GAAP. In addition to disclosing financial results prepared in accordance with US GAAP, we disclose information regarding Adjusted EBITDA which is a non-GAAP measure. We define Adjusted EBITDA as net income (loss), determined in accordance with US GAAP, for the period presented, before net interest and expense, net, income tax expense, depreciation and amortization, transaction expenses related to the business combination, credit loss expense, change in fair value of warrant liabilities, and change in fair value of earnout liabilities.

We believe that Adjusted EBITDA is useful to investors as it eliminates the non-cash depreciation and amortization expense that results from our capital investments and intangible assets recognized in any business combination and improves comparability by eliminating the interest expense associated with our debt facilities and eliminating the change in fair value of warrant and earnout liabilities, which may not be comparable with other companies based on our structure.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under US GAAP. Some of these limitations are (i) it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) it does not reflect changes in, or cash requirements for, our working capital needs, (iii) it does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our debt, (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements, (v) it does not adjust for all non-cash income or expense items that are reflected in our statements of cash flows, and (vi) other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

The following table sets forth reconciliations of net loss under US GAAP to Adjusted EBITDA for the following periods:

	Three months ended March 31, 2024	Three months ended March 31, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023
Net income (loss)	\$ 114,024	\$ (9,850)	\$ 8,028	\$ (8,802)
Interest expense	269	271	438	295
Interest income	(3)	—	(3)	(45)
Income tax benefit	(1)	(3)	—	(16)
Depreciation and amortization expense	1	1,342	2	174
EBITDA	<u>114,290</u>	<u>(8,240)</u>	<u>8,465</u>	<u>(8,394)</u>
Transaction expenses	7	—	—	—
Credit loss expense	12	254	—	—
Change in fair value of warrant liabilities	(208)	—	2,599	—
Change in fair value of earnout liabilities	(118,615)	—	(13,006)	—
Adjusted EBITDA	<u>\$ (4,514)</u>	<u>\$ (7,986)</u>	<u>\$ (1,942)</u>	<u>\$ (8,394)</u>

	Six months ended June 30, 2024	Six months ended June 30, 2023
Net income (loss)	\$ 122,052	\$ (18,652)
Interest expense	707	566
Interest income	(6)	(45)
Income tax benefit	(1)	(19)
Depreciation and amortization expense	3	1,516
EBITDA	122,755	(16,634)
Transaction expenses	7	—
Credit loss expense	12	254
Change in fair value of warrant liabilities	2,391	—
Change in fair value of earnout liabilities	(131,621)	—
Adjusted EBITDA	\$ (6,456)	\$ (16,380)

Net income increased by **\$123.9 million** \$16.8 million to **\$114.0 million** \$8.0 million for the three months ended **March 31, 2024** June 30, 2024, compared to **(\$9.9 million** 8.8) million loss for the three months ended **March 31, 2023** June 30, 2023, primarily driven by a **\$118.6 million** \$13.0 million gain from change in fair value of earnout liabilities. Net income increased by \$140.8 million to \$122.1 million for the six months ended June 30, 2024, compared to **(\$18.7 million** losses for the six months ended June 30, 2023, primarily driven by a \$131.6 million gain from change in fair value of earnout liabilities.

Adjusted EBITDA increased by \$6.5 million from **(\$8.0)** (\$8.4) million loss to **(\$4.5)** 1.9) million loss for three months ended **March 31, 2024** June 30, 2024, primarily driven by lower due to an increase of \$2.6 million in the share of gain from equity method investments and a \$3.9 million decrease in selling, general and administrative expenses and depreciation due to deconsolidation of FCG on July 27, 2023, and due to reduction in third party accounting, audit, and legal fees relating to public company readiness. Adjusted EBITDA increased by \$9.9 million from **(\$16.4)** million loss to **(\$6.5)** million loss for six months ended June 30, 2024, primarily driven by a decrease of \$6.7 million selling, general, and administrative expenses due to reduction in third party accounting, audit, and legal fees relating to public company readiness, and an increase of \$5.0 million in the share of gain from equity method investments for the six months ended June 30, 2024, partially offset by a \$1.8 million decrease in operating income flow through due to the \$11.2 million decrease in revenue due to the deconsolidation of FCG.

Liquidity and Capital Resources

Sources and Uses of Liquidity

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations. Our primary short-term cash requirements are to fund working capital, short-term debt, acquisitions, contractual obligations and other commitments. Our medium-term to long-term cash requirements are to service and repay debt and to invest in facilities, equipment, technologies, and research and development for growth initiatives. Our principal sources of liquidity are funds from borrowings, equity contributions from our existing investors and cash on hand.

As of **March 31, 2024** June 30, 2024, our total indebtedness was approximately **\$35.6 million** \$35.5 million. We had approximately **\$1.1 million** \$1.7 million of unrestricted cash and **\$3.9 million** \$3.0 million available for borrowing under our lines of credit.

During the three months ended **March 31, 2024** June 30, 2024, Infinite Acquisitions loaned an additional **\$4.7 million** \$1.0 million to the Company pursuant to the revolving credit arrangement. The revolving credit arrangement is subject to an annual fixed interest rate of 2.75% and matures in December 2026. Further, in April 2024, Falcon's Opcos entered into a one-year term loan agreement with Katmandu Ventures for \$7.221 million and a one-year term loan agreement with Universal Kat for **\$1.279 million** \$1.25 million. The term loan with Katmandu Ventures and the term loan with Universal Kat both bear interest at a rate of 8.88% per annum, payable quarterly in arrears, and will mature on March 31, 2025. Approximately \$5.4 million of the combined proceeds of the term loans from Katmandu Ventures and Universal Kat were used to repay a portion of the Infinite Acquisitions revolving credit arrangement.

Falcon's Opco entered into a loan amendment with Katmandu Ventures and Universal Kat, respectively, on June 14, 2024, to defer the first interest and principal payment from June 30, 2024 to the earlier of 1) September 30, 2024; 2) within five business days after the date upon which Falcon's Opco receives a distribution of funds from **Produciones De Parques, S.L.** as result of asset sale transaction; or 3) within five business days after the date upon which Falcon's Opco receives cash proceeds as the result of a debt or equity fundraising transaction with a third party resulting in net proceeds of \$20 million or more.

Following the amendments to the loans above, Katmandu Ventures and Universal Kat assigned the loans (in part for Katmandu Ventures of \$6.3 million and in full for Universal Kat) to FAST II Sponsor in exchange for the sale of Class A shares of the Company held by FAST II Sponsor. This transfer is solely between Universal Kat, Katmandu Ventures and FAST II Sponsor. Falcon's Opco provided written consent on the assignment. There were no additional changes to the loan agreement terms due to this reassignment. See Note 6 – Long-term debt and borrowing arrangements and Note 17 – Subsequent events in the Company's unaudited condensed consolidated financial statements.

We anticipate managing our operations to ensure that our existing cash on hand and unused capacity on our existing lines of credit, along with additional debt and equity capital raises, and reviewing our portfolio of assets to provide additional liquidity over the next twelve months to meet our short-term needs. Currently, we do not have sufficient cash from operations and unused capacity to meet the next twelve months of our operations.

For the **three six** months ended **March 31, 2024** **June 30, 2024**, we have operational losses, accumulated deficits, and negative cash flows from operating activities that raise substantial doubt about our ability to continue as a going concern. As of **March 31, 2024** **June 30, 2024**, we have **\$20.7 million** **\$23.5 million** of accrued expenses and other current liabilities, which include **\$17.3 million** **\$18.8 million** of transaction expenses relating to the Business Combination, related professional fees, \$2.2 million of excise tax payable on FAST II stock redemptions, which is not payable until forthcoming treasury regulations are finalized, \$0.7 million **\$1.0 million** of accrued payroll and related expenses, and approximately **\$0.5 million** **\$0.2 million** of other accrued expenses and current liabilities. The transaction expenses are actively being negotiated, and actual settlement may vary from the amounts recorded. Additionally, as of **March 31, 2024** **June 30, 2024**, we have unfunded commitments to Karnival of \$2.4 million (HKD 18.7 million), to be used for the purpose of constructing the Vquarters Entertainment Centers in Hong Kong which need to be paid in 2024. On July 27, 2023, FCG received a closing payment from QIC of \$17.5 million (net of \$0.5 million in reimbursements). On April 16, 2024, QIC released the remaining \$12.0 million of the \$30.0 million investment to Falcon's Creative Group, LLC, a deconsolidated subsidiary which is 75% owned by Falcon's Opco and 25% owned by QIC ("FCG LLC") upon the establishment of the employee retention and attraction incentive program. These funds are to be used exclusively by the FCG segment to fund its operations and growth and cannot be used to satisfy the commitments of other segments. Until we can generate sufficient revenue from our five reportable segments to cover operating expenses, working capital and capital expenditures, we expect funds raised from additional debt and/or capital to fund our cash needs.

Our capital requirements will depend on many factors, including the timing and extent of spending to support our research and development efforts, investments in technology, the expansion of sales and marketing activities, and market adoption of new and enhanced products and features. In addition, we expect to incur additional costs as a result of operating as a public company. We expect our capital expenditures and working capital requirements to increase materially in the near future. Our ability to generate cash in the future depends on our financial results which are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our control. Our future access to, and the availability of credit on acceptable terms and conditions, is impacted by many factors, including capital market liquidity and overall economic conditions. In the event that additional financing is required from outside sources, we cannot be sure that any additional financing will be available to us on acceptable terms if at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition could be adversely affected. See the section of our Annual Report titled *"Risk Factors – We will require additional capital, which additional financing may result in restrictions on our operations or substantial dilution to our stockholders, to support the growth of our business, and this capital might not be available on acceptable terms, if at all."*

Contractual and Other Obligations

Tax Receivable Agreement

In connection with the Closing of the Business Combination, the Company entered into the Tax Receivable Agreement with Falcon's Opco, the TRA holder representative, certain members of Falcon's Opco (the "TRA Holders") and other persons from time-to-time party thereto. Pursuant to the Tax Receivable Agreement, among other things, the Company is required to pay to each TRA Holder 85% of certain tax benefits, if any, that it realizes (or in certain cases is deemed to realize) as a result of the increases in tax basis resulting from any exchange of new Falcon's Opco units for Class A Common Stock or cash in the future and certain other tax benefits arising from payments under the Tax Receivable Agreement. In certain cases, the Company's obligations under the Tax Receivable Agreement may accelerate and become due and payable, based on certain assumptions, upon a change in control and certain other termination events, as defined in the Tax Receivable Agreement.

Commitments

Partnership with Raging Power Limited

Pursuant to the terms of our joint venture agreement with Raging Power, Falcon's and Raging Power are each required to provide funding to Karnival in the form of non-interest-bearing advances, which will be repaid based on a percentage of gross revenues from the operation of the themed virtual ocean adventure attraction we are developing at the new 11 SKIES complex adjacent to the Hong Kong Airport. Accordingly, the joint venture agreement provides that we receive 16.6% to 20.6% of gross revenue of such location. As of **March 31, 2024** **June 30, 2024**, we have unfunded commitments to Karnival of \$2.4 million (HKD 18.7 million).

Transaction costs

Pursuant to the Business Combination during the year ended December 31, 2023, the Company received net cash proceeds from the Business Combination totaling \$0.9 million, net of \$1.3 million of FAST II transaction costs and \$1.6 million of Falcon's Opco transaction costs paid at Closing. FAST II and Falcon's Opco transaction costs related to the Business Combination of \$6.4 million and \$15.7 million, respectively, are not yet settled as of **March 31, 2024** **June 30, 2024** and the Company is actively negotiating to settle them over the next 24 months. These transaction costs are recorded in accrued expenses and long-term payables. Negotiations regarding the terms of the costs yet to be settled are still ongoing and may change materially from these amounts accrued.

The Company is named from time to time as a party to lawsuits and other types of legal proceedings and claims in the normal course of business. As previously disclosed in the Company's Annual Report and its Current Report on Form 8-K filed with the SEC on May 6, 2024, and further disclosed in Form 10-Q filed on May 16, 2024, a lawsuit was filed against the Company **was served with a complaint (the "Guggenheim Complaint") on March 27, 2024 in which by** Guggenheim Securities, LLC ("Guggenheim") **alleges breach of a contract with Guggenheim, on March 27, 2024 in which Guggenheim alleges that the Company owes certain fees and expenses of \$11.1 million for services allegedly performed by Guggenheim in connection with the Business Combination which was consummated on October 6, 2023 (the "Guggenheim Complaint"). The Company has denied all liability in response to the Guggenheim Complaint. In addition, the Company has filed counterclaims against Guggenheim for fraudulent inducement, breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, negligence, fraudulent misrepresentation and negligent misrepresentation. Guggenheim has moved to dismiss the counterclaims. The case is in its early stages, discovery has commenced, and the Court has set a certificate of readiness for trial/** trial/date for June 28, 2025. As part of the Company's accounting approach to transaction expenses related to the Business Combination, prior to the Company's receipt of the Guggenheim Complaint, the Company accrued \$11.1 million as of December 31, 2023 with respect to a **contract the alleged amended engagement agreement with Guggenheim. The Company intends to vigorously defend itself against the claims alleged in the Guggenheim Complaint and contest the amounts Guggenheim asserts are owed.**

Related Party Loans

The Company has entered into various financing agreements with Infinite Acquisitions. As of **March 31, 2024** **June 30, 2024**, we have aggregate outstanding balances of **\$21.9 million** **\$23.1 million** under these financing agreements. **Additionally, in March 2024, the Company**

On June 14, 2024, Falcon's Opcos entered into a one-year \$7.221 million term loan amendment with Katmandu Ventures LLC, to defer the first interest and principal payment from June 30, 2024 to the earlier of 1) September 30, 2024; 2) within five business days after the date upon which Falcon's Opcos receives a greater than 10% shareholder distribution of funds from Producciones De Parques, S.L. as result of an asset transaction; or 3) within five business days after the date upon which Falcon's Opcos receives cash proceeds as the result of a debt or equity fundraising transaction with a third party resulting in net proceeds of \$20 million or more. Following the amendment above, Katmandu Ventures assigned \$6.3 million of the Company. The loan bears interest at 8.875% per annum, which to FAST II Sponsor, in exchange for the sale of Class A shares of Falcon's Opcos held by FAST II Sponsor. This transfer is payable quarterly in arrears, solely between Katmandu Ventures and FAST II Sponsor. Falcon's Opcos provided written consent on the assignment. There were no additional changes to the loan agreement terms due to this reassignment.

For more information regarding our related party transactions, see Note 6 — Long-term debt and borrowing arrangements and Note 7 — Related party transactions included in the notes to the Company's unaudited condensed consolidated financial statements.

Cash Flows

The following table summarizes our cash flows for the period presented:

	Three months ended March 31, 2024	Three months ended March 31, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash used in operating activities	\$ (3,768)	\$ (6,498)	\$ (6,385)	\$ (12,610)
Cash used in investing activities	(2,096)	(133)	(5)	(1,662)
Cash provided by (used in) financing activities	6,231	(178)		
Cash provided by financing activities			7,397	7,100

Cash Flows from Operating Activities

Our cash flows from operating activities are primarily driven by the activities associated with our FBB segment and corporate overhead activities.

Cash used in operating activities for the three six months ended March 31, 2024 June 30, 2024 was (\$3.8) 6.4 million compared to (\$6.5) 12.6 million for the three six months ended March 31, 2023 June 30, 2023, representing \$2.7 million less a \$6.2 million decrease in cash used in operating activities due to a reduction in legal and professional fees, and the deconsolidation of FCG and changes in working capital driven by the expansion of the business, FCG.

Cash Flows from Investing Activities

Our primary investing activities consisted of the purchase of property, plant and equipment and proceeds from the sale of equipment, changes in advances to unconsolidated joint ventures. Net cash used in investing activities was (\$2.1) million less than \$0.1 million during the three six months ended March 31, 2024 June 30, 2024, compared to (\$0.1) 1.7 million net cash used by in investing activities during the three six months ended March 31, 2023 June 30, 2023, primarily related to \$0.3 million purchases of computer equipment and \$2.1 million short-term advance \$1.4 million in advances made to FCG, unconsolidated joint ventures.

Cash Flows from Financing Activities

Net cash provided by financing activities increased to \$6.2 million \$7.4 million in the three six months ended March 31, 2024 June 30, 2024, compared to \$(0.1) million \$7.1 million in the three six months ended March 31, 2023 June 30, 2023. The cash provided by financing activities in the three six months ended March 31, 2024 June 30, 2024 consisted primarily of (i) \$4.7 million (\$3.4) million decrease in proceeds from and \$5.4 million a \$2.8 million increase in repayment repayments of the \$10.0 million related party revolving credit arrangement with Infinite Acquisitions, (ii) \$1.2 million \$1.6 million increase in repayment of related party term loans, (iii) \$7.2 million of \$7.3 million increase in proceeds from related party term loans (iv) \$0.4 million repayment of third party term loans, \$0.8 million in advances from affiliates, (v) \$1.3 million increase in proceeds from third party term loans, and (vi) \$0.1 million in proceeds from exercised warrants, warrants, (vii) (\$1.8) million decrease in equity contributions, and (viii) \$0.4 million in proceeds from RSUs issued by affiliates. See Note 6 — Long-term debt and borrowing arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

This item is not applicable as we are a smaller reporting company.

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this Quarterly Report. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of **March 31, 2024** **June 30, 2024**, our disclosure controls and procedures were not effective **due** to the identification of material weaknesses in our internal control over financial reporting.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation and audit of the 2023 consolidated financial statements, we identified the following material weaknesses in the Company's internal control over financial reporting: Risk Assessment – We did not design and implement an effective risk assessment based on the criteria established in the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) identifying, assessing, and communicating appropriate objectives, (ii) identifying and analyzing risks to achieve these objectives, (iii) contemplating fraud risks, and (iv) identifying and assessing changes in the business that could impact our system of internal controls.

Control Activities – We did not design and implement effective control activities based on the criteria established in the COSO framework. We have identified deficiencies in the principles associated with the control activities component of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) selecting and developing control activities and information technology that contribute to the mitigation of risks and support achievement of objectives; and (ii) deploying control activities through policies that establish what is expected and procedures that put policies into action.

The following deficiencies, individually and in the aggregate, contributed to material weaknesses in control activities, including:

- We did not have an adequate segregation of duties or appropriate level of review that is needed to comply with financial reporting requirements.
- We did not design or maintain controls over period end close procedures.

- We did not design or maintain effective controls over the period end financial reporting process and preparation of financial statements. Specifically, we did not design and implement a sufficient level of formal accounting policies and procedures that define how transactions across the business cycles should be initiated, recorded, processed and reported and appropriately authorized and approved.
- We did not design or maintain controls or document segregation of duties over information technology systems used to create or maintain financial reporting records.

Monitoring – We did not design and implement effective monitoring activities based on the criteria established in the COSO framework. We have identified deficiencies in the principles associated with the monitoring component of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) selecting, developing, and performing ongoing evaluation to ascertain whether the components of internal controls are present and functioning; and (ii) evaluating and communicating internal control deficiencies in a timely manner to those parties responsible for taking corrective action.

Control Environment – We did not maintain an effective control environment based on the criteria established in the COSO framework. We have identified deficiencies in the principles associated with the control environment of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) appropriate organizational structure, reporting lines, and authority and responsibilities in pursuit of objectives; (ii) our commitment to attract, develop, train, and retain an appropriate complement of accounting employees; and (iii) establishing a control environment and holding individuals accountable for their internal control related responsibilities.

We did not design or maintain an effective control environment to enable the identification and mitigation of risks of accounting errors based on the contributing factors to material weaknesses in the control environment, including:

- The Company did not create the proper environment for effective internal control over financial reporting and to ensure that: (i) there were adequate processes for oversight; (ii) there was accountability for the performance of internal control over financial reporting responsibilities; (iii) personnel with key positions had the appropriate training and capacity to carry out their responsibilities.
- The Company did not maintain a sufficient complement of management, accounting, financial reporting personnel who had appropriate levels of knowledge, experience, and training in accounting and internal control matters commensurate with the nature, growth and complexity of our business. The lack of sufficient appropriately skilled and trained personnel contributed to our failure to: (i) adequately identify potential risks; (ii) include in the scope of our internal controls framework certain systems relevant to financial reporting and the preparation of our consolidated financial statements; and (iii) design and implement certain risk-mitigating internal controls.

Information and Communication – We did not generate or provide adequate quality supporting information and communication based on the criteria established in the COSO framework. We have identified deficiencies in the principles associated with the information and communication component of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) obtaining, generating, and using relevant quality information to support the function of internal control; and (ii) communicating accurate information internally and externally, including providing information pursuant to objectives, responsibilities, and functions of internal control.

Remediation Efforts

We are in the process of designing and implementing a plan to remediate the material weaknesses discussed above. Our remediation plans include strengthening our control environment with an immediate focus on hiring experienced personnel, designing and implementing risk assessment processes, implementing and enhancing our business processes and control activities, consistently generating and providing quality information and communication and re-designing and implementing monitoring controls.

Our detailed remediation plans include actions such as implementing systems and controls to enhance our review of significant accounting transactions and other new technical accounting and financial reporting issues and preparing and reviewing accounting memoranda addressing these issues, hiring experienced personnel, implementing controls to enable an effective and timely review period end close procedures, and implementing controls to enable an accurate and timely review of accounting records that support our accounting processes and maintain documents for internal accounting reviews.

We have also engaged a third-party consulting firm to assist us with our formal internal control plan and to provide accounting services related to complex accounting transactions. In addition, as we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to address control deficiencies or determine to modify our remediation plan.

In light of the material weaknesses discussed above, we performed additional procedures to ensure that our consolidated financial statements included in this Quarterly Report were prepared in accordance with U.S. GAAP. Following such additional procedures, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in this Quarterly Report, in conformity with U.S. GAAP.

Changes in Internal Control over Financial Reporting

Except as otherwise described herein, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended **March 31, 2024** **June 30, 2024** that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is named from time to time as a party to lawsuits and other types of legal proceedings and claims in the normal course of business. As previously disclosed in the Company's Annual Report and its Current Report on Form 8-K filed with the SEC on May 6, 2024, and further disclosed in Form 10-Q filed on May 16, 2024, a lawsuit was filed against the Company was served with a complaint (the "Guggenheim Complaint") on March 27, 2024 in which by Guggenheim Securities, LLC ("Guggenheim") alleges breach of a contract with Guggenheim, on March 27, 2024 in which Guggenheim alleges that the Company owes certain fees and expenses of \$11.1 million for services allegedly performed by Guggenheim in connection with the Business Combination which was consummated on October 6, 2023 (the "Guggenheim Complaint"). The Company has denied all liability in response to the Guggenheim Complaint. In addition, the Company has filed counterclaims against Guggenheim for fraudulent inducement, breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, negligence, fraudulent misrepresentation and negligent misrepresentation. Guggenheim has moved to dismiss the counterclaims. The case is in its early stages, discovery has commenced, and the Court has set a certificate of readiness for trial/notice of issue date for June 28, 2025. As part of the Company's accounting approach to transaction expenses related to the Business Combination, prior to the Company's receipt of the Guggenheim Complaint, the Company accrued \$11.1 million as of December 31, 2023 with respect to a contract the alleged amended engagement agreement with Guggenheim. The Company intends to vigorously defend itself against the claims alleged in the Guggenheim Complaint and contest the amounts Guggenheim asserts are owed.

Item 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this Quarterly Report are any of the risks described in our Annual Report. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in the Annual Report. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report:

10.1	Falcon's Beyond Global, LLC Long-Term Incentive Plan (incorporated by reference to Exhibit 10.31 to Form 10-K filed on April 29, 2024).
10.2	Amendment No. 1 to the Third Amended and Restated Limited Liability Company Agreement of Falcon's Creative Group, LLC, by and between QIC Delaware, Inc. and Falcon's Beyond Global, LLC (incorporated by reference to Exhibit 10.32 to Form 10-K filed on April 29, 2024).
10.3	Loan Agreement, dated as of April 9, 2024, entered into by and among Falcon's Beyond Global, LLC and Katmandu Ventures, LLC (incorporated by reference to Exhibit 10.33 to Form 10-K filed on April 29, 2024).
10.4	Loan Agreement, dated as of April 9, 2024, entered into by and among Falcon's Beyond Global, LLC and Universal Kat Holdings, LLC (incorporated by reference to Exhibit 10.34 to Form 10-K filed on April 29, 2024).
10.5*	Amendment No. 1 to Loan Agreement, dated as of June 14, 2024, entered into by and among Falcon's Beyond Global, LLC and Katmandu Ventures, LLC.
10.6*	Amendment No. 1 to Loan Agreement, dated as of June 14, 2024, entered into by and among Falcon's Beyond Global, LLC and Universal Kat Holdings, LLC.
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

SIGNATURES

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 thereunto duly authorized.
Date: **May 16, 2024** August 13, 2024

FALCON'S BEYOND GLOBAL, INC.

(Registrant)

By /s/ Joanne Merrill

Joanne Merrill

Principal Financial Officer,

Principal Accounting Officer and

Authorized Signatory

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Exhibit 10.5

AMENDMENT TO LOAN AGREEMENT

This AMENDMENT TO LOAN AGREEMENT, dated as of June 14, 2024 (this "Amendment") is entered into by and among Falcon's Beyond Global, LLC, a Delaware limited liability company (the "Borrower"), and Katmandu Ventures, LLC, a Florida limited liability company (the "Lender"). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Loan Agreement referred to below.

RECITALS

WHEREAS, the Borrower and Lender entered into that certain Loan Agreement, dated March 28, 2024; and,

WHEREAS, the Borrower has requested that the Lender make certain amendments to the Loan Agreement and Lender has agreed to make such amendments, subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the conditions set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Amendments to the Loan Agreement.** Effective as of the date hereof, subject to the terms and conditions set forth herein, and in reliance upon the representations and warranties set forth herein, the Loan Agreement is hereby amended as follows:

(a) Section 1(c) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(c) **Interest.** The interest on the Loan shall accrue at 8.875% per annum from and after the Funding Date and shall be calculated on the basis of the actual number of days elapsed and a year of 360 days. The interest shall be due and payable (i) according to the Schedule A attached hereto and (ii) after the Maturity Date, on demand."

(b) Schedule A is hereby amended and restated in its entirety as attached to this Amendment.

The Amendments to the Loan Agreement are limited to the extent specifically set forth in this Amendment and no other terms, covenants or provisions of the Loan Agreement are intended to be affected hereby.

2. **Acknowledgement and Confirmation.** Borrower hereby (a) consents to this Amendment and agrees that this Amendment shall not limit or diminish the obligations of Borrower under, or release Borrower from any obligations under the Loan Agreement (as amended pursuant to this Amendment), (b) confirms and reaffirms its obligation under the Loan Agreement (as amended pursuant to this Amendment), (c) agrees that the Loan Agreement (as

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered as of the date and year first written above.

FALCON'S BEYOND GLOBAL, LLC

as the Borrower

By: /s/ Cecil D. Magpuri

Name: Cecil D. Magpuri

Title: Chief Executive Officer

[SIGNATURE PAGE TO AMENDMENT TO LOAN AGREEMENT]

KATMANDU VENTURES, LLC,

as the Lender

By: /s/ Jill Markey

Name: Jill Markey

Title: Manager

[SIGNATURE PAGE TO AMENDMENT TO LOAN AGREEMENT]

3

Exhibit 10.6

AMENDMENT TO LOAN AGREEMENT

This AMENDMENT TO LOAN AGREEMENT, dated as of June 14, 2024 (this "Amendment") is entered into by and among Falcon's Beyond Global, LLC, a Delaware limited liability company (the "Borrower"), and Universal Kat Holdings, LLC, a Florida limited liability company (the "Lender"). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Loan Agreement referred to below.

RECITALS

WHEREAS, the Borrower and Lender entered into that certain Loan Agreement, dated March 22, 2024; and,

WHEREAS, the Borrower has requested that the Lender make certain amendments to the Loan Agreement and Lender has agreed to make such amendments, subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and the conditions set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Amendments to the Loan Agreement. Effective as of the date hereof, subject to the terms and conditions set forth herein, and in reliance upon the representations and warranties set forth herein, the Loan Agreement is hereby amended as follows:

(a) Section 1(c) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(c) Interest. The interest on the Loan shall accrue at 8.875% per annum from and after the Funding Date and shall be calculated on the basis of the actual number of days elapsed and a year of 360 days. The interest shall be due and payable (i) according to the Schedule A attached hereto and (ii) after the Maturity Date, on demand."

(b) Schedule A is hereby amended and restated in its entirety as attached to this Amendment.

The Amendments to the Loan Agreement are limited to the extent specifically set forth in this Amendment and no other terms, covenants or provisions of the Loan Agreement are intended to be affected hereby.

2. Acknowledgement and Confirmation. Borrower hereby (a) consents to this Amendment and agrees that this Amendment shall not limit or diminish the obligations of Borrower under, or release Borrower from any obligations under the Loan Agreement (as amended pursuant to this Amendment), (b) confirms and reaffirms its obligation under the Loan Agreement (as amended pursuant to this Amendment), (c) agrees that the Loan Agreement (as

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered as of the date and year first written above.

FALCON'S BEYOND GLOBAL, LLC

as the Borrower

By: /s/ Cecil D. Magpuri

Name: Cecil D. Magpuri

Title: Chief Executive Officer

[SIGNATURE PAGE TO AMENDMENT TO LOAN AGREEMENT]

UNIVERSAL KAT HOLDINGS, LLC

as the Lender

By: /s/ Javier Gonzalez

Name: Javier Gonzalez

Title: Manager

[SIGNATURE PAGE TO AMENDMENT TO LOAN AGREEMENT]

3

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Cecil D. Magpuri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Falcon's Beyond Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2024 August 13, 2024

By: /s/ Cecil D. Magpuri

Cecil D.
Magpuri
Chief
Executive
Officer
(Principal
Executive
Officer)
Exhibit 31.2

Name:

Title:

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joanne Merrill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Falcon's Beyond Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 16, 2024** August 13, 2024

By: /s/ Joanne Merrill

Name:

Title:

Joanne
Merrill
Chief
Financial
Officer
(Principal
Financial
and
Principal
Accounting
Officer)
Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Falcon's Beyond Global, Inc. (the "Company") on Form 10-Q for the quarterly period ended **March 31, 2024** June 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Cecil D. Magpuri, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: **May 16, 2024** August 13, 2024

By: /s/ Cecil D. Magpuri

Name:

Title:

Cecil D.
Magpuri
Chief
Executive
Officer
(Principal
Executive
Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Falcon's Beyond Global, Inc. (the "Company") on Form 10-Q for the quarterly period ended **March 31, 2024** **June 30, 2024**, as filed with the Securities and Exchange Commission (the "Report"), I, Joanne Merrill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: **May 16, 2024** **August 13, 2024**

By: /s/ Joanne Merrill

Name:

Title:

Joanne
Merrill
Chief
Financial
Officer
(*Principal
Financial
and
Principal
Accounting
Officer*)

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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