UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

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: 1-41688

STRONG GLOBAL ENTERTAINMENT, INC.
(Exact Name of Registrant as Specified in Its Charter)

British Columbia, Canada (State or Other Jurisdiction of Incorporation or Organization)	**N/A** (IRS Employer Identification Number)
5960 Fairview Road, Suite 275 **Charlotte, North Carolina** (Address of Principal Executive Offices)	**28210** (Zip Code)

(704) 471-6784
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class A Common Voting Shares, without par value	SGE	NYSE American

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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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 November 8, 2023, there were 7,877,842 Class A Common Voting Shares, without par value outstanding.

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PART I. Financial Information

Item 1. Financial Statements

Strong Global Entertainment, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 3,110	$ 3,615
Accounts receivable (net of credit allowances of $221 and $409, respectively)	7,443	6,148
Inventories, net	3,597	3,389
Other current assets	1,337	4,547
Total current assets	15,487	17,699
Property, plant and equipment, net	1,522	4,607
Operating lease right-of-use assets	4,695	237
Finance lease right-of-use asset	1,004	606
Film and television programming rights, net	8,205	1,501
Intangible assets, net	-	6
Goodwill	2,049	882
Total assets	$ 32,962	$ 25,538
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,576	$ 4,106
Accrued expenses	7,326	4,486
Payable to FG Group Holdings Inc. (Note 17)	1,818	1,861
Short-term debt	2,777	2,510
Current portion of long-term debt	37	36
Current portion of operating lease obligations	278	64
Current portion of finance lease obligations	203	105
Deferred revenue and customer deposits	1,515	1,769
Total current liabilities	17,530	14,937
Operating lease obligations, net of current portion	4,478	234
Finance lease obligations, net of current portion	814	502
Long-term debt, net of current portion	169	126
Deferred income taxes	120	529
Other long-term liabilities	525	6
Total liabilities	23,636	16,334
Commitments, contingencies and concentrations (Note 16)		
Equity:		

Common stock, no par value; 150,000 shares authorized, 7,762 issued and outstanding as of September 30, 2023	-	-
Additional paid-in-capital	15,589	-
Accumulated deficit	(807)	-
Accumulated other comprehensive loss	(5,456)	(5,024)
Net parent investment	-	14,228
Total equity	9,326	9,204
Total liabilities and equity	$ 32,962	$ 25,538

See accompanying notes to unaudited condensed consolidated financial statements.

Strong Global Entertainment, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2023 and 2022
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net product sales	$ 7,994	$ 7,690	$ 23,609	$ 22,076
Net service revenues	2,926	2,213	15,100	6,370
Total net revenues	10,920	9,903	38,709	28,446
Total cost of products	5,809	5,541	17,579	16,233
Total cost of services	2,289	1,991	8,779	5,538
Total cost of revenues	8,098	7,532	26,358	21,771
Gross profit	2,822	2,371	12,351	6,675
Selling and administrative expenses:				
Selling	500	498	1,652	1,723
Administrative	2,139	1,368	9,983	4,138
Total selling and administrative expenses	2,639	1,866	11,635	5,861
Gain on disposal of assets	-	-	1	-
Income from operations	183	505	717	814
Other (expense) income:				
Interest expense, net	(88)	(31)	(206)	(82)
Foreign currency transaction gain (loss)	126	518	(183)	646
Other income, net	18	11	16	15
Total other income (expense)	56	498	(373)	579
Income before income taxes	239	1,003	344	1,393
Income tax expense	(205)	(233)	(349)	(417)
Net income (loss)	$ 34	$ 770	$ (5)	$ 976
Net income (loss) per share:				
Basic	$ 0.00	$ 0.13	$ 0.00	$ 0.16
Diluted	$ 0.00	$ 0.13	$ 0.00	$ 0.16
Weighted-average shares used in computing net (loss) income per share:				
Basic	7,272	6,000	6,613	6,000
Diluted	7,272	6,000	6,613	6,000

See accompanying notes to unaudited condensed consolidated financial statements.

Strong Global Entertainment, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
Three and Nine Months Ended September 30, 2023 and 2022
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	$ 34	$ 770	$ (5)	$ 976
Currency translation adjustment:				
Unrealized net change arising during period	(180)	(1,380)	(432)	(1,933)
Total other comprehensive loss	(180)	(1,380)	(432)	(1,933)
Comprehensive loss	$ (146)	$ (610)	$ (437)	$ (957)

See accompanying notes to unaudited condensed consolidated financial statements.

Strong Global Entertainment, Inc. and Subsidiaries
Condensed Consolidated Statements of Equity
Three and Nine Months Ended September 30, 2023 and 2022
(In thousands)
(Unaudited)

	Common Stock (Shares)	Common Stock ($)	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Net Parent Investment	Total
Balance at December 31, 2022	-	$ -	$ -	$ -	$ (5,024)	$ 14,228	$ 9,204
Cumulative effect of adoption of accounting principle (Note 2)	-	-	-	-	-	(24)	(24)
Net income	-	-	-	-	-	373	373
Net other comprehensive loss	-	-	-	-	(72)	-	(72)
Stock-based compensation expense	-	-	-	-	-	18	18
Net transfer to parent	-	-	-	-	-	(1,217)	(1,217)
Balance at March 31, 2023	-	-	-	-	(5,096)	13,378	8,282
Net (loss) income	-	-	-	(841)	-	425	(416)
Net other comprehensive loss	-	-	-	-	(180)	-	(180)
Stock-based compensation expense	-	-	714	-	-	34	748
Net transfer to parent	-	-	-	-	-	(1,066)	(1,066)
Reclassification of Net parent investment	6,000	-	12,771	-	-	(12,771)	-
Issuance of common stock and Landmark warrant, net of costs	1,000	-	1,608	-	-	-	1,608
Vesting of restricted stock	144	-	(104)	-	-	-	(104)
Balance at June 30, 2023	7,144	-	14,989	(841)	(5,276)	-	8,872
Net transfer to parent	-	-	-	-	-	(718)	(718)
Reclassification of Net parent investment	-	-	(718)	-	-	718	-
Net loss	-	-	-	34	-	-	34
Net other comprehensive loss	-	-	-	-	(180)	-	(180)
Vesting of restricted stock	18	-	(12)	-	-	-	(12)
Issuance of common stock in connection with acquisition of Unbounded (Note 6)	600	-	1,206	-	-	-	1,206
Stock-based compensation expense	-	-	124	-	-	-	124
Balance at September 30, 2023	7,762	$ -	$ 15,589	$ (807)	$ (5,456)	$ -	$ 9,326

	Common Stock (Shares)	Common Stock ($)	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Net Parent Investment	Total
Balance at December 31, 2021	-	$ -	$ -	$ -	$ (3,628)	$ 12,438	$ 8,810
Net income	-	-	-	-	-	193	193
Net other comprehensive income	-	-	-	-	178	-	178
Stock-based compensation expense	-	-	-	-	-	39	39
Net transfer from parent	-	-	-	-	-	1,050	1,050
Balance at March 31, 2022	-	-	-	-	(3,450)	13,720	10,270
Net income	-	-	-	-	-	13	13
Net other comprehensive loss	-	-	-	-	(731)	-	(731)
Stock-based compensation expense	-	-	-	-	-	33	33
Net transfer from parent					-	15	15
Balance at June 30, 2022	-	-	-	-	(4,181)	13,781	9,600
Net income	-	-	-	-	-	770	770
Net other comprehensive loss	-	-	-	-	(1,380)	-	(1,380)
Stock-based compensation expense	-	-	-	-	-	25	25
Net transfer from parent					-	220	220
Balance at September 30, 2022	-	$ -	$ -	$ -	$ (5,561)	$ 14,796	$ 9,235

See accompanying notes to unaudited condensed consolidated financial statements.

Strong Global Entertainment, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2023 and 2022
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2023	2022
Cash flows from operating activities:		
Net (loss) income	$ (5)	$ 976
Adjustments to reconcile net income to net cash used in operating activities:		
(Recovery of) provision for doubtful accounts	(32)	10
Benefit from obsolete inventory	(47)	-
Provision for warranty	131	9
Depreciation and amortization	2,438	521
Amortization and accretion of operating leases	48	52
Deferred income taxes	(430)	(116)
Stock-based compensation expense	890	97
Changes in operating assets and liabilities:		
Accounts receivable	(1,223)	(395)
Inventories	(158)	(556)
Current income taxes	154	503
Other assets	(7,864)	1,133
Accounts payable and accrued expenses	5,549	(3,572)
Deferred revenue and customer deposits	(257)	(420)
Operating lease obligations	(57)	(50)
Net cash used in operating activities	(863)	(1,808)

Cash flows from investing activities:		
Capital expenditures	(288)	(197)
Acquisition of programming rights	(511)	(407)
Net cash used in investing activities	(799)	(604)
Cash flows from financing activities:		
Principal payments on short-term debt	(358)	(228)
Principal payments on long-term debt	(27)	(20)
Borrowings under credit facility	6,790	-
Repayments under credit facility	(4,483)	-
Payments on finance lease obligations	(99)	-
Proceeds from initial public offering	2,411	-
Payments of withholding taxes for net share settlement of equity awards	(117)	-
Net cash transferred (to) from parent	(3,001)	1,285
Net cash provided by financing activities	1,116	1,037
Effect of exchange rate changes on cash and cash equivalents	41	70
Net decrease in cash and cash equivalents and restricted cash	(505)	(1,305)
Cash and cash equivalents and restricted cash at beginning of period	3,615	4,494
Cash and cash equivalents and restricted cash at end of period	$ 3,110	$ 3,189
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common stock in connection with acquisition of Unbounded (Note 6)	$ 1,206	$ -
Amount payable to Landmark Studio Group in connection with acquisition of projects (Note 10)	$ -	$ 1,345

See accompanying notes to unaudited condensed consolidated financial statements.

Strong Global Entertainment, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Operations

Strong Global Entertainment ("Strong Global Entertainment," or the "Company") is a leader in the entertainment industry providing mission critical products and services to cinema exhibitors and entertainment venues for over 90 years. The Company is s a holding company and conducts business through its wholly-owned operating subsidiaries: Strong/MDI Screen Systems, Inc. ("Strong/MDI") is a leading premium screen and projection coatings supplier in the world; Strong Technical Services, Inc. ("STS") provides comprehensive managed service offerings with 24/7/365 support nationwide to ensure solution uptime and availability; and Strong Studios, Inc. ("Strong Studios") develops and produces original feature films and television series and acquires rights to distribute content globally.

On May 15, 2023, the Company completed an initial public offering ("IPO") of 1,000,000 of its Class A Voting Common Shares without par value ("Common Shares") at a price to the public of $4.00 per share. The IPO closed on May 18, 2023 and the Company completed its separation from FG Group Holdings, Inc ("FG Group Holdings"). Total net proceeds of approximately $1.4 million were raised from the IPO after deducting underwriting discounts and commissions and offering costs. Offering costs totaled approximately $2.1 million. Strong Global Entertainment's Common Shares are listed on the NYSE American under the ticker symbol "SGE."

Refer to Note 5 for additional details relating to the Company's IPO and separation transactions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and all majority-owned and controlled domestic and foreign subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

These condensed consolidated financial statements are presented in accordance with the requirements of interim financial data and consequently do not include all of the disclosures normally required by GAAP for annual reporting purposes, such as those made in the Company's audited financial statements for the years ended December 31, 2022 and 2021. The results for interim periods are not necessarily indicative of trends or results expected for a full fiscal year.

In May 2023, the Company became a standalone publicly traded company, and its financial statements post-Separation are prepared on a consolidated basis. The combined financial statements for all periods presented prior to the Separation (see below for additional information) are now also referred to as "consolidated financial statements." In connection with the Separation, the Company's assets and liabilities were transferred to the Company on a carry-over (historical cost) basis.

The Company's fiscal year begins on January 1 of the year stated and ends on December 31 of the same year. Unless otherwise indicated, all references to "dollars" and "$" in this Quarterly Report on Form 10-Q are to, and amounts are presented in, U.S. dollars.

For Periods Prior to the Separation

Prior to the Separation, the Company's financial statements were derived from the consolidated financial statements and accounting records of FG Group Holdings as if Strong Global Entertainment had operated on a stand-alone basis during the periods presented and were prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and pursuant to the regulations of the U.S. Securities and Exchange Commission. Historically, Strong Global Entertainment was reported as an operating segment within FG Group Holdings' reportable segments and did not operate as a stand-alone company. Accordingly, FG Group Holdings historically reported the financial position and the related results of operations, cash flows and changes in equity of Strong Global Entertainment as a component of FG Group Holdings' consolidated financial statements.

Prior to the Separation, the historical results of operations included allocations of FG Group Holdings' costs and expenses including FG Group Holdings' corporate function which incurred a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications.

For periods prior to the Separation, the operating results of Strong Global Entertainment have historically been disclosed as a reportable segment within the consolidated financial statements of FG Group Holdings enabling identification of directly attributable transactional information, functional departments and headcount. The combined balance sheets were primarily derived by reference to one, or a combination, of Strong Global Entertainment transaction-level information, functional department or headcount. Revenue and Cost of revenue were derived from transactional information specific to Strong Global Entertainment products and services. Directly attributable operating expenses were derived from activities relating to Strong Global Entertainment functional departments and headcount. Certain additional costs, including compensation costs for corporate employees, have been allocated from FG Group Holdings. The allocated costs for corporate functions included, but were not limited to, information technology, legal, finance and accounting, human resources, tax, treasury, research and development, sales and marketing activities, shared facilities and other shared services, which are not provided at the Strong Global Entertainment level. These costs were allocated on a basis of revenue, headcount or other measures Strong Global Entertainment has determined as reasonable.

Strong Global Entertainment employees also historically participated in FG Group Holdings' stock-based incentive plans, in the form of restricted stock units ("RSUs") and stock options issued pursuant to FG Group Holdings' employee stock plan. Stock-based compensation expense has been directly reported by Strong Global Entertainment based on the awards and terms previously granted to FG Group Holdings' employees.

Allocations for management costs and corporate support services provided to Strong Global Entertainment prior to the Separation totaled $ 0.3 million and $0.5 million for the nine months ended September 30, 2023 and September 30, 2022, respectively, all of which is included in general and administrative expenses. Following the Separation, Strong Global Entertainment operates as a stand-alone publicly traded company and the consolidated financial statements for the periods after the Separation reflect the Company's actual administrative costs of operating as an independent entity. The management of Strong Global Entertainment believes the assumptions underlying the combined financial statements, including the assumptions regarding the allocated expenses prior to the Separation, reasonably reflect the utilization of services provided, or the benefit received by, Strong Global Entertainment during the periods presented. Nevertheless, the combined financial statements may not be indicative of Strong Global Entertainment's future performance, do not necessarily include all of the actual expenses that would have been incurred had Strong Global Entertainment been an independent entity during the historical periods and may not reflect the results of operations, financial position, and cash flows had Strong Global Entertainment been a stand-alone company during the periods presented.

The operations of the Company are included in the consolidated U.S. federal, and certain state and local and foreign income tax returns filed by FG Group Holdings, where applicable. Income tax expense and other income tax related information contained in the financial statements prior to the Separation are presented on a separate return basis as if Strong Global Entertainment had filed its own tax returns.

Use of Management Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and changes in facts and circumstances may alter such estimates and affect results of operations and financial position in future periods.

The coronavirus pandemic ("COVID-19") had an unprecedented impact to consumer behaviors and our customers, particularly our customers' ability and willingness to purchase our products and services. The Company believes that consumer reticence to engage in outside-the-home activities, caused by the risk of contracting COVID-19, has abated, and our customers have resumed more typical, pre-COVID-19 purchasing behaviors. And while we believe our customers made significant progress in its recovery from the pandemic, the impact of COVID-19 on inflation and supply chains and the continued economic recovery will be contingent upon several key factors, including the volume of new film content available, the box office performance of new film content released, the duration of the exclusive theatrical release window, and evolving consumer behavior with competition from other forms of in- and out-of-home entertainment. There can be no assurances that there will be no additional public health crises, including further resurgence or variants of COVID-19, which could reverse the current trend and have a negative impact on the Company's results of operations.

Cash and Cash Equivalents

All short-term, highly liquid financial instruments are classified as cash equivalents in the condensed consolidated balance sheets and statements of cash flows. Generally, these instruments have maturities of three months or less from date of purchase. As of September 30, 2023, $ 1.6 million of the $3.1 million in cash and cash equivalents was held in Canada.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company determines the allowance for expected credit losses based on several factors, including overall customer credit quality, historical write-off experience and a specific analysis that projects the ultimate collectability of the account. As such, these factors may change over time causing the allowance level and bad debt expense to be adjusted accordingly. Past due accounts are written off when our efforts have been unsuccessful in collecting amounts due.

Income Taxes

Income taxes are accounted for under the asset and liability method. The Company uses an estimate of its annual effective rate at each interim period based on the facts and circumstances at the time while the actual effective rate is calculated at year-end. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing whether the deferred tax assets are realizable, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's uncertain tax positions are evaluated in a two-step process, whereby 1) the Company determines whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and 2) for those tax positions that meet the more likely than not recognition threshold, the Company would recognize the largest amount of tax benefit that is greater than fifty percent likely to be realized upon ultimate settlement with the related tax authority. The Company accrues interest and penalties related to uncertain tax positions in the consolidated statements of operations as income tax expense.

Stock Compensation Plans

The Company recognizes compensation expense for all stock-based payment awards based on estimated fair values on the date of grant. The Company uses the straight-line amortization method over the vesting period of the awards. The Company measures stock-based compensation at the grant date based on the fair value of the award. The fair value of stock options is estimated using the Black-Scholes option pricing model. Estimated compensation cost relating to RSUs is based on the closing fair market value of the Company's common stock on the date of grant. No stock-based compensation cost was capitalized as a part of inventory during the periods ended September 30, 2023 and September 30, 2022.

Prior to the Separation, the Company's employees participated in FG Group Holdings' stock-based compensation plans. Stock-based compensation expense was allocated to the Company based on the awards and terms previously granted to the FG Group Holdings' employees.

Film and Television Programming Rights

In March 2022, the Company began producing original productions and acquiring rights to films and television programming. Film and television programming rights include the unamortized costs of in-process or in-development content produced or acquired by the Company. The Company's capitalized costs include all direct production and financing costs, capitalized interest when applicable, and production overhead. Where available, the Company utilizes certain governmental incentives, programs and other structures from states and foreign countries (e.g., refundable tax credits calculated based on the amount of money spent in the particular jurisdiction in connection with the production) to fund its film and television productions and reduce financial risk. Film and television program rights are stated at the lower of amortized cost or estimated fair value.

The costs of producing content are amortized using the individual-film-forecast method. These costs are amortized based on the ratio of the current period's revenues to management's estimated remaining total gross revenues to be earned ("Ultimate Revenue") as of each reporting date to reflect the most current available information. Participation costs represent contingent consideration payable based on the performance of the film or television program to parties associated with the film or television program, including producers, writers, directors or actors and estimated liabilities for participations are accrued based on the ratio of the current period's revenues to management's estimated remaining total gross revenues to be earned. Management's judgment is required in estimating Ultimate Revenue and the costs to be incurred throughout the life of each film or television program. Amortization is adjusted when necessary to reflect increases or decreases in forecasted Ultimate Revenues.

For an episodic television series, the period over which Ultimate Revenues are estimated cannot exceed ten years following the date of delivery of the first episode, or, if still in production, five years from the date of delivery of the most recent episode, if later. For films, Ultimate Revenue includes estimates over a period not to exceed ten years following the date of initial release.

Content assets are expected to be predominantly monetized individually and therefore are reviewed at the individual level when an event or change in circumstance indicates a change in the expected usefulness of the content or the fair value may be less than the unamortized cost.

Due to the inherent uncertainties involved in making such estimates of Ultimate Revenues and expenses, these estimates may differ materially from actual results. In addition, in the normal course of our business, some films and titles will be more successful or less successful than anticipated. Management regularly reviews and revises, when necessary, its Ultimate Revenue and cost estimates, which may result in a change in the rate of amortization of film costs and participations and residuals and/or a write-down of all or a portion of the unamortized costs of the film or television program to its estimated fair value. An increase in the estimate of Ultimate Revenue will generally result in a lower amortization rate and, therefore, less film and television program amortization expense, while a decrease in the estimate of Ultimate Revenue will generally result in a higher amortization rate and, therefore, higher film and television program amortization expense, and also periodically result in an impairment requiring a write-down of the film cost to the title's fair value. The Company has not incurred any of these write-downs.

An impairment charge would be recorded in the amount by which the unamortized costs exceed the estimated fair value. Estimates of future revenue involve measurement uncertainties and it is therefore possible that reductions in the carrying value of capitalized costs may be required because of changes in management's future revenue estimates.

Fair Value of Financial Instruments

Assets and liabilities measured at fair value are categorized into a fair value hierarchy based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 – inputs to the valuation techniques are quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs to the valuation techniques are other than quoted prices but are observable for the assets or liabilities, either directly or indirectly
- Level 3 – inputs to the valuation techniques are unobservable for the assets or liabilities

The following tables present the Company's financial assets measured at fair value based upon the level within the fair value hierarchy in which the fair value measurements are classified, as of September 30, 2023 and December 31, 2022.

Fair values measured on a recurring basis at September 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,110	$ -	$ -	$ 3,110
Total	$ 3,110	$ -	$ -	$ 3,110

Fair values measured on a recurring basis at December 31, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,615	$ -	$ -	$ 3,615
Total	$ 3,615	$ -	$ -	$ 3,615

The Company's short-term debt is recorded at historical cost. The carrying values of all other financial assets and liabilities, including accounts receivable, accounts payable, accrued expenses and short-term debt reported in the consolidated balance sheets equal or approximate their fair values due to the short-term nature of these instruments.

All non-financial assets that are not recognized or disclosed at fair value in the financial statements on a recurring basis, which include non-financial long-lived assets, are measured at fair value in certain circumstances (for example, when there is evidence of impairment).

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This ASU requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The Company adopted this ASU effective January 1, 2023. Upon adoption the Company recorded a cumulative effect adjustment decreasing net parent investment by $24,000.

3. Revenue

The Company accounts for revenue using the following steps:

- Identify the contract, or contracts, with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the identified performance obligations; and
- Recognize revenue when, or as, the Company satisfies the performance obligations.

The Company combines contracts with the same customer into a single contract for accounting purposes when the contracts are entered into at or near the same time and the contracts are negotiated as a single commercial package, consideration in one contract depends on the other contract, or the services are considered a single performance obligation. If an arrangement involves multiple performance obligations, the items are analyzed to determine whether they are distinct, whether the items have value on a standalone basis, and whether there is objective and reliable evidence of their standalone selling price. The total contract transaction price is allocated to the identified performance obligations based upon the relative standalone selling prices of the performance obligations. The standalone selling price is based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost-plus margin approach. The Company estimates the amount of total contract consideration it expects to receive for variable arrangements by determining the most likely amount it expects to earn from the arrangement based on the expected quantities of services it expects to provide and the contractual pricing based on those quantities. The Company only includes a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers the sensitivity of the estimate, its relationship and experience with the client and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement.

As discussed in more detail below, revenue is recognized when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company typically does not have any material extended payment terms, as payment is due at or shortly after the time of the sale. Sales, value-added and other taxes collected concurrently with revenue producing activities are excluded from revenue.

The Company recognizes contract assets or unbilled receivables related to revenue recognized for services completed but not yet invoiced to the clients. Unbilled receivables are recorded as accounts receivable when the Company has an unconditional right to contract consideration. A contract liability is recognized as deferred revenue when the Company invoices clients, or receives cash, in advance of performing the related services under the terms of a contract. Deferred revenue is recognized as revenue when the Company has satisfied the related performance obligation.

The Company defers costs to acquire contracts, including commissions, incentives and payroll taxes, if they are incremental and recoverable costs of obtaining a customer contract with a term exceeding one year. Deferred contract costs are reported within other assets and amortized to selling expense over the contract term, which generally ranges from one to five years. The Company has elected to recognize the incremental costs of obtaining a contract with a term of less than one year as a selling expense when incurred. The Company did not have any deferred contract costs as of September 30, 2023 or December 31, 2022.

The following tables disaggregate the Company's revenue by major source and by operating segment for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Screen system sales	$ 3,914	$ 3,374	$ 10,918	$ 10,117
Digital equipment sales	3,434	3,592	10,497	9,808
Extended warranty sales	43	106	143	290
Other product sales	603	618	2,051	1,861
Total product sales	7,994	7,690	23,609	22,076
Field maintenance and monitoring services	2,008	1,708	5,811	4,975
Installation services	763	453	2,603	1,294
Strong Studios services	-	-	6,379	-
Other service revenues	155	52	307	101
Total service revenues	2,926	2,213	15,100	6,370
Total	$ 10,920	$ 9,903	$ 38,709	$ 28,446

Screen system sales

The Company typically recognizes revenue on the sale of its screen systems when control of the screen is transferred to the customer, usually at time of shipment. However, revenue is recognized upon delivery for certain international shipments with longer shipping transit times because control transfers upon customer delivery. The cost of freight and shipping to the customer is recognized in cost of sales at the time of transfer of control to the customer. For contracts that are long-term in nature, the Company believes that the use of the percentage-of-completion method is appropriate as the Company has the ability to make reasonably dependable estimates of the extent of progress towards completion, contract revenues, and contract costs. Under the percentage-of-completion method, revenue is recorded based on the ratio of actual costs incurred to total estimated costs expected to be incurred related to the contract.

Digital equipment sales

The Company recognizes revenue on sales of digital equipment when the control of the equipment is transferred, which typically occurs at the time of shipment from the Company's warehouse or drop-shipment from a third party. The cost of freight and shipping to the customer is recognized in cost of sales at the time of transfer of control to the customer.

Field maintenance and monitoring services

The Company sells service contracts that provide maintenance and monitoring services to its Strong Entertainment customers. These contracts are generally 12 months in length. Revenue related to service contracts is recognized ratably over the term of the agreement.

In addition to selling service contracts, the Company also performs discrete time and materials-based maintenance and repair work for customers. Revenue related to time and materials-based maintenance and repair work is recognized at the point in time when the performance obligation has been fully satisfied.

Installation services

The Company performs installation services for its customers and recognizes revenue upon completion of the installations.

Strong Studios services

The Company develops and produces original films and television series, as well as acquires third-party rights to content for global multi-platform distribution and recognizes revenue upon the transfer or license of film and television programming rights and related intellectual property.

Extended warranty sales

The Company performs installation services for its customers and recognizes revenue upon completion of the installations.

Timing of revenue recognition

The following tables disaggregate the Company's revenue by the timing of transfer of goods or services to the customer for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Point in time	$ 9,389	$ 8,587	$ 34,130	$ 24,561
Over time	1,531	1,316	4,579	3,885
Total	$ 10,920	$ 9,903	$ 38,709	$ 28,446

At September 30, 2023, the unearned revenue amount associated with long-term projects that the Company uses the percentage-of-completion method to recognize revenue, maintenance and monitoring services and extended warranty sales in which the Company is the primary obligor was $0.8 million. The Company expects to recognize $0.7 million of the unearned revenue amounts during the remainder of 2023, $ 0.1 million during 2024 and immaterial amounts in 2025 and 2026.

4. Net Income (Los) Per Share

Basic net loss per share has been computed on the basis of the weighted average number of shares of common stock outstanding. In periods when the Company reported a net loss, there were no differences between average shares used to compute basic and diluted loss per share as inclusion of stock options and restricted stock units would have been anti-dilutive in those periods. The weighted average number of shares outstanding for the basic and diluted net income (loss) per share for the periods prior to the completion of the IPO is based on the number of shares of the Company's common stock outstanding on May 15, 2023, the effective date of the registration statement relating to the IPO. On that date, the Company issued 5,999,999 shares of its common stock to the Company's sole stockholder of record, Strong/MDI (after which Strong/MDI held 6,000,000 shares of common stock, which represented all of the then issued and outstanding common stock). The following table summarizes the weighted average shares used to compute basic and diluted net loss per share (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted average shares outstanding:				
Basic weighted average shares outstanding	7,272	6,000	6,613	6,000
Dilutive effect of stock options and certain non-vested restricted stock units	-	-	-	-
Diluted weighted average shares outstanding	7,272	6,000	6,613	6,000
Anti-dilutive employee stock-based awards, excluded	-	-	38	-

5. The Separation and Initial Public Offering

On May 15, 2023, the Company completed an IPO of 1,000,000 of its Class A Voting Common Shares at a price to the public of $ 4.00 per share. The IPO closed on May 18, 2023 and the Company completed its separation from FG Group Holdings. Total net proceeds of approximately $1.4 million were raised from the IPO after deducting underwriting discounts and commissions and offering costs. Offering costs totaled approximately $2.1 million. The Company's Common Shares are listed on the NYSE American under the ticker symbol "SGE."

In connection with the Separation of the Company from FG Group Holdings and the IPO, the Company entered into a Master Asset Purchase Agreement, an IP Assignment Agreement, the FG Group Holdings Asset Transfer Agreement, the FG Group Holdings IP Assignment Agreement, the Joliette Plant Lease, the Share Transfer Agreements and a number of other agreements. Under the Management Services Agreement, the Company and FG Group Holdings provide certain services to each other, which include information technology, legal, finance and accounting, human resources, tax, treasury, and other services, and charges a fee that is based on its actual costs and expenses for those services in the future (with mark-up, if necessary, to comply with applicable transfer pricing principles under Canadian and U.S. tax regulations). These agreements took effect upon the closing of the Separation and IPO.

6. Acquisition of Unbounded Media Corporation

On September 12, 2023, the Company acquired all of the outstanding capital stock of Unbounded Media Corporation and its subsidiaries ("Unbounded"), an independent media and creative production company. In connection with the acquisition of Unbounded, the Company issued 0.6 million Class A Voting Common Shares.

Unbounded develops, creates and produces film, advertising, and branded content for a broad range of clients. In an all-stock transaction, the deal with Unbounded marks the first acquisition in a broader strategy to acquire a portfolio of multi-disciplined content and services companies. Unbounded, in partnership with Strong Studios, also plans to further develop its original IP portfolio, under its Fieldhouse Entertainment division, which currently includes feature films employing Strong Studios' long form production expertise and industry network.

The following table summarizes the fair values assigned to the net assets acquired and the liabilities assumed as part of the acquisition of Unbounded (in thousands):

Cash	$	2
Accounts receivable		59
Other current assets		51
Intangible assets		10
Total identifiable assets acquired		122
Accounts payable and accrued expenses		11
Revolving credit facility		71
Total liabilities assumed		82
Net identifiable assets acquired		40
Goodwill		1,166
Net assets acquired	$	1,206

The Company is in the process of finalizing the acquisition purchase price and valuations of certain intangible assets; thus, the provisional measurements of intangible assets and goodwill are subject to change. Pro forma results of operations for this acquisition have not been presented because the effects on net revenues and net (loss) income were not material to the Company's historical consolidated financial statements.

7. Inventories

Inventories consisted of the following (in thousands):

	September 30, 2023		December 31, 2022	
Raw materials and components	$	1,964	$	1,826
Work in process		496		279
Finished goods		1,137		1,284
	$	3,597	$	3,389

The inventory balances are net of reserves of approximately $ 0.4 million and $0.5 million as of September 30, 2023 and December 31, 2022, respectively. The inventory reserves primarily related to the Company's finished goods inventory. A rollforward of the inventory reserve for the nine months ended September 30, 2023, is as follows (in thousands):

Inventory reserve balance at December 31, 2022	$	486
Inventory write-offs during 2023		(57)
Provision for inventory reserve during 2023		(47)
Inventory reserve balance at September 30, 2023	$	382

8. Other Current Assets

Other current assets consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023		December 31, 2022	
Prepaid expenses	$	660	$	417
Receivable from Safehaven 2022, Inc.		-		1,625
Costs incurrent in connection with initial public offering		-		1,920
Unbilled accounts receivable		432		337
Other		245		248
Total	$	1,337	$	4,547

9. Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following as of September 30 2023 and December 31, 2022 (in thousands):

	September 30, 2023		December 31, 2022	
Land	$	-	$	48
Buildings and improvements (Note 12)		430		6,752
Machinery and other equipment		5,035		4,778
Office furniture and fixtures		697		675
Construction in progress		12		12
Total properties, cost		6,174		12,265
Less: accumulated depreciation		(4,652)		(7,658)
Property, plant and equipment, net	$	1,522	$	4,607

10. Film and Television Programming Rights, Net

Film and television programming rights, net consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023		December 31, 2022	
Television series in development	$	9,933	$	1,308
Films in development		252		193
Total film and programming rights		10,185		1,501
Accumulated amortization		(1,980)		-
Total film and programming rights, net	$	8,205	$	1,501

A rollforward of film and television programming rights, net for the nine months ended September 30, 2023, is as follows (in thousands):

Balance at December 31, 2022	$	1,501
Expenditures on in-process projects		511
Acquisition of distribution rights		8,267
Amortization of film and programming rights		(1,980)
In process projects assumed in connection with acquisition of Unbounded		10
Adjustment to fair value of warrant issued to Landmark		(104)
Balance at September 30, 2023	$	8,205

In March 2022, Strong Studios acquired the rights to original feature films and television series from Landmark Studio Group LLC ("Landmark"), including the assignment of third party rights to content for global multiplatform distribution. The transaction entailed the acquisition of certain projects which are in varying stages of development, one of which has produced revenue as of September 30, 2023. In connection with such assignment and purchase, Strong Studios agreed to pay to Landmark approximately $1.7 million in four separate payments, $ 0.3 million of which was paid upon the closing of the transaction. The $1.7 million acquisition price was allocated to three projects in development: $ 1.0 million to *Safehaven*, $0.3 million to *Flagrant* and $0.4 million to *Shadows in the Vineyard*. The Company also agreed to issue to Landmark no later than 10 days after the completion of the IPO of Strong Global Entertainment, a warrant to purchase up to 150,000 Common Shares of Strong Global Entertainment, exercisable for three years beginning six months after the consummation of the IPO, at an exercise price equal to the per-share offering price of Strong Global Entertainment's Common Shares in the IPO (the "Landmark Warrant"). The Landmark Warrant allows for cashless exercise in certain limited circumstances and provides for certain registration rights for such warrant shares.

As a condition precedent to entry into the AA Agreement, Strong Studios agreed to enter into distribution agreements for *Safehaven* and *Flagrant* (the "AA Distribution Agreements") with Screen Media Ventures, LLC ("SMV"). Pursuant to the AA Distribution Agreements, SMV agreed to purchase the global distribution rights to *Safehaven* for $6.5 million and *Flagrant* for $2.5 million upon delivery of each project. In January 2023, Strong Studios amended its agreement with SMV resulting in Strong Studios retaining the worldwide global distribution rights for the *Flagrant* series and releasing SMV from the obligation to purchase the distribution rights for the series. On June 30, 2023, Strong Studios amended the Safehaven AA Agreement with SMV resulting in Strong Studios retaining the worldwide global distribution rights for the *Safehaven* series and releasing SMV from the obligation to purchase the distribution rights for the series.

During the second quarter of 2022, Safehaven 2022, Inc. ("Safehaven 2022") was established to manage the production and financing of *Safehaven*. Strong Studios owned 49% of Safehaven 2022 and the remaining 51% was owned by Unbounded Services, LLC ("Unbounded Services"). Strong Studios assigned the Landmark distribution agreement to Safehaven 2022, and the Landmark distribution agreement serves as collateral for the production financing at Safehaven 2022. Effective June 23, 2023, the Company increased its ownership in Safehaven 2022 from 49% to 100%, and Safehaven 2022 became a wholly owned subsidiary of Strong Studios.

Prior to acquiring 100% of Safehaven 2022 in June 2023, Strong Studios reviewed its ownership in Safehaven 2022 and concluded that it had significant influence, but not a controlling interest, in Safehaven 2022 based on its ownership being less than 50% along with having one of three representatives on the board of managers of Safehaven 2022. Strong Studios also reviewed whether it otherwise had the power to make decisions that significantly impact the economic performance of Safehaven 2022 and concluded that it did not control the entity and is not the primary beneficiary. Accordingly, the Company applied the equity method of accounting to its equity holding in Safehaven 2022 through June 30, 2023, at which time the Company increased its ownership interest in Safehaven 2022 from 49% to 100% and began consolidating Safehaven 2022 as a wholly owned subsidiary of Strong Studios. A summary of the balance sheet of Safehaven 2022 as of September 30, 2023, is as follows (in thousands):

Cash	$	51
Television programming rights		6,686
Other assets		29
Total assets	$	6,766
Accounts payable and accrued expenses	$	3,901
Due to Strong Studios		1,491
Debt		404
Equity		970
Total liabilities and equity	$	6,766

Effective June 30, 2023, Safehaven 2022 entered into a purchase agreement (the "Purchase Agreement") with SMV, to purchase all of SMV's right, title and interest in Safehaven. Under the terms of the Purchase Agreement, the purchase price payable by Safehaven 2022 was satisfied by the payment in full by Ravenwood-Productions, LLC ("Ravenwood") of the amount due as a minimum guarantee under the *Safehaven* AA Distribution Agreement to Bank of Hope. SMV is entitled to receive no further payments in respect of the *Safehaven* series, provided that, upon Strong Studios' receipt of $15.0 million in gross receipts, SMV shall be paid an amount equal to five percent (5%) of the net proceeds up to a maximum of $ 0.4 million.

Effective June 30, 2023, the Company and Ravenwood entered into a management agreement (the "Management Agreement"), pursuant to which:

- Ravenwood advanced the amount due to Bank of Hope in respect of the minimum guarantee under the *Safehaven* AA Distribution Agreement of approximately $6.4 million.
- Safehaven 2022, Strong Studios and Ravenwood will enter into a sales agent agreement with an agency to represent and sell the *Safehaven* series.
- Each of Ravenwood and Strong Studios will be paid a management commission of 20% and 7%, respectively, of the Net Sales Price of the Series (as defined in the Management Agreement).
- All Gross Receipts (as defined by the Management Agreement) shall be distributed according to an agreed waterfall, with the balance to be paid to the named participants, including Strong Studios which will be paid 32.5%.
- Safehaven 2022 conveyed to Ravenwood an undivided 75% interest in all rights in and to the *Safehaven* series, retaining 25% for itself.

Safehaven 2022 recognizes revenue and cost of sales using the individual-film-forecast method based on the ratio of the current period's revenues to management's estimated remaining total gross revenues to be earned. During the quarter ended June 30, 2023, Safehaven 2022 recognized $6.4 million of revenue in connection with the sale of a portion of the intellectual property rights, recorded a total of $ 5.4 million of expenses, including $2.0 million amortization of the film and programming rights intangible asset and $ 3.4 million of accrued participation costs.

11. Accrued Expenses

Accrued expenses consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Employee-related	$ 1,468	$ 1,283
Warranty obligation	303	309
Interest and taxes	364	294
Legal and professional fees	379	462
Accrued participation costs	3,426	-
Film and television programming rights	875	1,709
Other	511	429
Total	$ 7,326	$ 4,486

12. Debt

Short-term debt and long-term debt consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Short-term debt:		
Strong/MDI 20-year installment loan	$ -	$ 2,289
Strong/MDI 5-year equipment loan	-	221
Strong/MDI revolving credit facility	2,293	-
Safehaven production debt	404	-
Insurance debt	80	-
Total short-term debt	$ 2,777	$ 2,510
Less: deferred debt issuance costs, net	-	-
Total short-term debt, net of issuance costs	$ 2,777	$ 2,510
Long-term debt:		
Tenant improvement loan	$ 135	$ 162
Unbounded revolving credit facility	71	-
Total long-term debt	$ 206	$ 162
Less: current portion	(37)	(36)
Long-term debt, net of current portion	$ 169	$ 126

Strong/MDI Installment Loans and Revolving Credit Facility

On September 5, 2017, the Company's Canadian subsidiary, Strong/MDI, entered into a demand credit agreement, as amended and restated May 15, 2018, with Canadian Imperial Bank of Commerce ("CIBC") consisting of a revolving line of credit for up to CAD$3.5 million, subject to a borrowing base requirement, a 20-year installment loan for up to CAD$ 6.0 million and a 5-year installment loan for up to CAD$ 0.5 million. On June 7, 2021, Strong/MDI entered into a demand credit agreement (the "2021 Credit Agreement"), which amended and restated the demand credit agreement dated as of September 5, 2017. The 2021 credit agreement consisted of a revolving line of credit for up to CAD$2.0 million subject to a borrowing base requirement, a 20-year installment loan for up to CAD$ 5.1 million and a 5-year installment loan for up to CAD$ 0.5 million. Amounts outstanding under the line of credit are payable on demand and bear interest at the prime rate established by CIBC. Amounts outstanding under the installment loans bear interest at CIBC's prime rate plus 0.5% and are payable in monthly installments, including interest, over their respective borrowing periods. CIBC may also demand repayment of the installment loans at any time. The Strong/MDI credit facilities are secured by a lien on Strong/MDI's Quebec, Canada facility and substantially all of Strong/MDI's assets. The 2021 Credit Agreement required Strong/MDI to maintain a ratio of liabilities to "effective equity" (tangible stockholders' equity, less amounts receivable from affiliates and equity method holdings) not exceeding 2.5 to 1, a current ratio (excluding amounts due from related parties) of at least 1.3 to 1 and minimum "effective equity" of CAD$4.0 million.

In January 2023, Strong/MDI and CIBC entered into a demand credit agreement (the "2023 Credit Agreement"), which amended and restated the 2021 Credit Agreement. The 2023 Credit Agreement consists of a revolving line of credit for up to CAD$ 5.0 million and a 20-year installment loan for up to CAD$3.1 million. Under the 2023 Credit Agreement: (i) the amount outstanding under the line of credit is payable on demand and bears interest at the lender's prime rate plus 1.0% and (ii) the amount outstanding under the installment loan bears interest at the lender's prime rate plus 0.5% and is payable in monthly installments, including interest, over their respective borrowing periods. The lender may also demand repayment of the installment loan at any time. The 2023 Credit Agreement is secured by a lien on Strong/MDI's Quebec, Canada facility and substantially all of Strong/MDI's assets. The 2023 Credit Agreement requires Strong/MDI to maintain a ratio of liabilities to "effective equity" (tangible stockholders' equity, less amounts receivable from affiliates and equity holdings) not exceeding 2.5 to 1 and a fixed charge coverage ratio of not less than 1.1 times earnings before interest, income taxes, depreciation and amortization. The 5-year installment note was paid in full in connection with entering into the 2023 Credit Agreement. In connection with the IPO, the 20-year installment note did not transfer to the Company. Strong/MDI was in compliance with its debt covenants as of September 30, 2023. In May 2023, Strong/MDI and CIBC entered into an amendment to the 2023 Credit Agreement which reduced the amount available under the revolving line of credit to CAD$3.4 million, and CIBC provided an undertaking to Strong/MDI to a release of CIBC's security interest in certain assets to be transferred to a subsidiary in connection with transactions related to the IPO. As of September 30, 2023, there was CAD$3.1 million, or approximately $2.3 million, of principal outstanding on the revolving credit facility, which bears variable interest at 8.2%.

Tenant Improvement Loan

During the fourth quarter of 2021, the Company entered into a lease for a combined office and warehouse in Omaha, Nebraska. The Company incurred total costs of approximately $0.4 million to complete the build-out of the new combined office and warehouse facility. The landlord has agreed to fund approximately 50% of the build-out costs, and the Company is required to repay the portion funded by the landlord in equal monthly installments through the end of the initial lease term in February 2027. Through the end of 2021, the Company incurred approximately $0.2 million of total costs to build out the facility, of which approximately $0.1 million was funded by the landlord. The Company completed the build-out during the first quarter of 2022 and incurred an additional $0.2 million of total costs to complete the build-out, of which approximately $ 0.1 million was funded by the landlord.

Unbounded Credit Facility

In April 2023, Unbounded and Signature Bank entered into a revolving line of credit for up to $ 0.3 million (the "Unbounded Credit Facility"). The Unbounded Credit Facility is secured by substantially all of Unbounded assets and is due in full in May 2025. The Company is not a borrower or guarantor under the Unbounded Credit Facility, Unbounded is the sole borrower and guarantor under the Unbounded Credit Facility. The amount outstanding under the Unbounded Credit Facility bears interest at the prime rate, which was 8.5% on September 30, 2023. Unbounded was in compliance with its debt covenants as of September 30, 2023.

Safehaven Production Debt

Safehaven 2022 entered into a Loan and Security Agreement ("Loan Agreement") with Bank of Hope to provide interim production financing for the *Safehaven* production. The Company is not a borrower or guarantor under the Loan Agreement, and Safehaven 2022 is the sole borrower and guarantor under the Loan Agreement. The maturity date of the Loan Agreement is the earlier of (i) the date on which payment is accelerated by Bank of Hope due to an event of default or (ii) March 15, 2024. As of June 30, 2023, Safehaven 2022 had borrowed $9.9 million under the facility for production costs incurred to that date. In July 2023, Ravenwood paid approximately $6.4 million of the outstanding production debt (Note 10). The remaining balance on the Loan Agreement was satisfied in July 2023 upon receipt of the production tax rebates and incentives earned as a result of shooting the *Safehaven* series in Canada. The remaining balance of $0.4 million represents working capital advances made by Ravenwood that are expected to be repaid as part of the distribution of proceeds received from the licensing of *Safehaven*.

Insurance Debt

The Company maintains certain commercial insurance policies, including management liability and other policies customarily held by publicly traded companies. The Company elected to finance a portion of the annual premium, which will be repaid in monthly installments through January 2024. The finance agreement bears fixed interest of approximately 10%.

Contractual Principal Payments

Contractual required principal payments on the Company's long-term debt at September 30, 2023, are as follows (in thousands):

Remainder of 2023	$	9
2024		37
2025		111
2026		42
2027		7
Thereafter		-
Total	$	206

13. Leases

The Company and its subsidiaries lease plant and office facilities and equipment under operating and finance leases expiring through 2038. The Company determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset.

Right-of-use assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement date. Certain of the leases contain extension options; however, the Company has not included such options as part of its right-of-use assets and lease liabilities because it does not expect to extend the leases. The Company measures and records a right-of-use asset and lease liability based on the discount rate implicit in the lease, if known. In cases where the discount rate implicit in the lease is not known, the Company measures the right-of-use assets and lease liabilities using a discount rate equal to the Company's estimated incremental borrowing rate for loans with similar collateral and duration.

The Company elected to not apply the recognition requirements of Accounting Standards Codification Topic 842, "Leases," to leases of all classes of underlying assets that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. Instead, lease payments for such short-term leases are recognized in operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

The Company elected, as a lessee, for all classes of underlying assets, to not separate nonlease components from lease components and instead to account for each separate lease component and the nonlease components associated with that lease component as a single lease component.

The following tables present the Company's lease costs and other lease information (dollars in thousands):

Lease cost	Three Months Ended				Nine Months Ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Finance lease cost:								
Amortization of right-of-use assets	$	50	$	-	$	113	$	-
Interest on lease liabilities		21		-		47		-
Operating lease cost		101		26		226		70
Short-term lease cost		14		13		45		41
Net lease cost	$	186	$	39	$	431	$	111

Other information	Three Months Ended				Nine Months Ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Cash paid for amounts included in the measurement of lease liabilities:								
Operating cash flows from finance leases	$	21	$	-	$	47	$	-
Operating cash flows from operating leases	$	76	$	19	$	143	$	59
Financing cash flows from finance leases	$	37	$	-	$	97	$	-
Right-of-use assets obtained in exchange for new finance lease liabilities	$	200	$	-	$	510	$	-
Right-of-use assets obtained in exchange for new operating lease liabilities	$	-	$	-	$	4,576	$	-

	As of September 30, 2023
Weighted-average remaining lease term - finance leases (years)	1.2
Weighted-average remaining lease term - operating leases (years)	14.0
Weighted-average discount rate - finance leases	5.0%
Weighted-average discount rate - operating leases	5.0%

The following table presents a maturity analysis of the Company's operating and finance lease liabilities as of September 30, 2023 (in thousands):

	Operating Leases	Finance Leases
Remainder of 2023	$ 123	$ 71
2024	493	284
2025	494	530
2026	496	291
2027	429	-
Thereafter	4,664	-
Total lease payments	6,699	1,176
Less: Amount representing interest	(1,943)	(159)
Present value of lease payments	4,756	1,017
Less: Current maturities	(278)	(203)
Lease obligations, net of current portion	$ 4,478	$ 814

14. Income and Other Taxes

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The Company considers the scheduled reversal of taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. A cumulative loss in a particular tax jurisdiction in recent years is a significant piece of evidence with respect to the realizability that is difficult to overcome. Based on the available objective evidence, including recent updates to the taxing jurisdictions generating income, the Company concluded that a valuation allowance should be recorded against all of the Company's U.S. tax jurisdiction deferred tax assets as of September 30, 2023 and December 31, 2022.

Changes in tax laws may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted and made significant changes to Federal tax laws, including certain changes that were retroactive to the 2019 tax year. The effects of these changes relate to deferred tax assets and net operating losses; all of which are offset by valuation allowance. There were no material income tax consequences of this enacted legislation on the reporting period of these financial statements.

The Company is subject to possible examinations not yet initiated for Federal purposes for the fiscal years 2020 through 2022. The Company is also subject to possible examinations for state and local purposes. In most cases, these examinations in the state and local jurisdictions remain open based on the particular jurisdiction's statute of limitations.

15. Stock Based Compensation

The Company recognizes compensation expense for all stock-based payment awards based on estimated grant date fair values. Stock-based compensation expense is included in selling and administrative expenses.

The Company's 2023 Share Compensation Plan (the "Plan") was approved by the Compensation Committee of the Board of Directors with the discretion to grant stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, performance units and other stock- based awards and cash-based awards. Vesting terms vary with each grant and may be subject to vesting upon a "change in control" of the Company. As of September 30, 2023, approximately 0.5 million shares were available for issuance under the Plan.

Stock Options

The Company granted a total of 156,000 options during the nine months ended September 30, 2023, all of which were granted on June 5, 2023. Options to purchase shares of common stock were granted with exercise prices equal to the fair value of the common stock on the date of the grant. The weighted average grant date fair value of stock options granted on June 5, 2023 was $1.86. The fair value of each stock option granted is estimated on the date of grant using a Black-Scholes valuation model with the following weighted average assumptions:

Expected dividend yield at date of grant	0.00%
Risk-free interest rate	3.82%
Expected stock price volatility	68.7%
Expected life of options (in years)	5.0

The following table summarizes stock option activity for the nine months ended September 30, 2023:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2022	-	$ -	-	$ -
Granted	156,000	3.11		
Exercised	-			
Forfeited	-			
Expired	-			
Outstanding at September 30, 2023	156,000	$ 3.11	9.7	$ -
Exercisable at September 30, 2023	-	$ -	-	$ -

The aggregate intrinsic value in the table above represents the total that would have been received by the option holders if all in-the-money options had been exercised and sold on the date indicated.

As of September 30, 2023, 156,000 stock option awards were non-vested. Unrecognized compensation cost related to non-vested stock options was approximately $0.3 million, which is expected to be recognized over a weighted average period of 4.7 years.

Restricted Stock Units

The Company estimates the fair value of restricted stock awards based upon the closing price of the underlying common stock on the date of grant. The following table summarizes restricted stock unit activity for the nine months ended September 30, 2023:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2022	-	$ -
Granted	369,000	3.77
Shares vested	(195,000)	3.99
Shares forfeited	-	
Non-vested at September 30, 2023	174,000	$ 3.52

As of September 30, 2023, the total unrecognized compensation cost related to non-vested restricted stock unit awards was approximately $ 0.5 million, which is expected to be recognized over a weighted average period of 2.4 years.

16. Commitments, Contingencies and Concentrations

Litigation

The Company is involved, from time to time, in certain legal disputes in the ordinary course of business. No such disputes, individually or in the aggregate, are expected to have a material effect on the Company's business or financial condition.

FG Group Holdings is named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims based principally on allegations of past distribution of commercial lighting products containing wiring that may have contained asbestos. Each case names dozens of corporate defendants in addition to FG Group Holdings. In FG Group Holdings' experience, a large percentage of these types of claims have never been substantiated and have been dismissed by the courts. FG Group Holdings has not suffered any adverse verdict in a trial court proceeding related to asbestos claims and intends to continue to defend these lawsuits. Under the FG Group Holdings Asset Purchase Agreement, the Company agreed to indemnify FG Group Holdings for future losses, if any related to current product liability or personal injury claims arising out of products sold or distributed in the U.S. by the operations of the businesses being transferred to the Company in the Separation, in an aggregate amount not to exceed $250,000 per year, as well as to indemnify FG Group Holdings for all expenses (including legal fees) related to the defense of such claims. As of September 30, 2023, the Company has a loss contingency reserve of approximately $0.3 million, which represents the Company's estimate of its potential losses related to the settlement of open cases. During 2022 and the nine months of 2023, FG Group Holdings settled three cases, which resulted in payments totaling $53,000. When appropriate, FG Group Holdings may settle additional claims in the future. The Company does not expect the resolution of these cases to have a material adverse effect on its consolidated financial condition, results of operations or cash flows.

Gain contingency

The Company has carried key man life insurance covering one of its employees for several years. The covered employee passed away during the third quarter of 2023. The company completed and filed a $2.5 million claim with the insurance company in October 2023. The claim was accepted and fully paid during the fourth quarter of 2023.

Concentrations

The Company's top ten customers accounted for approximately 43% of consolidated net revenues during the nine months ended September 30, 2023. Trade accounts receivable from these customers represented approximately 43% of net consolidated receivables at September 30, 2023. One of the Company's customers accounted for more than 10% of both its consolidated net revenues during the nine months ended September 30, 2023 and its net consolidated receivables as of September 30, 2023. While the Company believes its relationships with such customers are stable, most arrangements are made by purchase order and are terminable at will by either party. A significant decrease or interruption in business from the Company's significant customers could have a material adverse effect on the Company's business, financial condition and results of operations. The Company could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which the Company sells its products.

Financial instruments that potentially expose the Company to a concentration of credit risk principally consist of accounts receivable. The Company sells product to a large number of customers in many different geographic regions. To minimize credit risk, the Company performs ongoing credit evaluations of its customers' financial condition.

17. Related Party Transactions

Related Party Transactions

In connection with the IPO, we and FG Group Holdings entered into a management services agreement that provides a framework for our ongoing relationship with FG Group Holdings. FG Group Holdings and its subsidiaries and we and our subsidiaries, provide each other certain services which include information technology, legal, finance and accounting, human resources, tax, treasury, and other services. Pursuant to the Management Services Agreement, the charges for these services are generally based on their actual cost basis.

The Company manufactures its screens in an approximately 80,000 square-foot facility near Montreal, Quebec, Canada, which is owned by Strong/MDI. The Company and Strong/MDI have entered into a long-term lease agreement covering the Company's continued use of the facility.

Costs Incurred in Connection with the IPO

Prior to the Separation, the Company incurred $1.0 million of costs in connection with the IPO which were paid by FG Group Holdings. During 2022, it was determined the Company will reimburse FG Group Holdings following the completion of the IPO. Accordingly, the Company has recorded the $1.0 million within Payable to FG Group Holdings on the consolidated balance sheet as of September 30, 2023. Subsequent to September 30, 2023, the Company reimbursed FG Group Holdings for the costs incurred in connection with the IPO.

Working Capital Advance to Safehaven 2022

As discussed in Note 10, Safehaven 2022 has received working capital advances of $ 0.7 million, of which $0.6 million was funded by FG Group Holdings. Strong Studios expects Safehaven 2022 to reimburse the working capital advances within the next twelve months. The Company has recorded the reimbursement of $0.6 million to FG Group Holdings within Payable to FG Group Holdings on the consolidated balance sheet as of September 30, 2023. Subsequent to September 30, 2023, the Company reimbursed FG Group Holdings for the working capital advances. The intercompany payable by Safehaven 2022 to Strong Studios, and Strong Studio's intercompany receivable from Safehaven 2022 have been eliminated in consolidation.

Landmark Transaction

As discussed in Note 10, Strong Studios acquired, from Landmark, the rights to original feature films and television series, and has been assigned third party rights to content for global multiplatform distribution. In connection with such assignment and purchase, Strong Studios agreed to pay to Landmark approximately $1.7 million of which $0.6 million of which has been paid by FG Group Holdings, and the remaining approximately $ 1.0 million will be repaid to Landmark in quarterly installments thorough October 2025. During the quarter ended September 30, 2023, the Company reimbursed FG Group Holdings $0.3 million of $0.6 million paid to Landmark, and the remaining $ 0.3 million was recorded within Payable to FG Group Holdings on the consolidated balance sheet as of September 30, 2023. Subsequent to September 30, 2023, the Company reimbursed FG Group Holdings the remaining $0.3 million.

18. Subsequent Event

On November 3, 2023, the Company entered into an asset purchase agreement with Innovative Cinema Solutions, LLC ("ICS"), a full service provider of technical services and solutions to national cinema chains. The operations of ICS will be rolled into STS. The purchase price included $0.2 million in cash, $0.2 million worth of Common Shares, and the issuance of a $ 0.5 million promissory note by STS.

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

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this report. In addition to historical information, this Quarterly Report on Form 10–Q, including management's discussion and analysis, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are not historical are forward-looking and reflect expectations for future Company performance. Forward-looking statements may be identified by the use of words such as "may," "will," "forecast," "estimate," "project," "intend," "plan," "expect," "should," "believe" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions and speak only as of the date on which it is made. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve a number of risks and uncertainties, including but not limited to those discussed in the "Risk Factors" section contained in Item 1A in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023, and the following risks and uncertainties: the Company's ability to maintain and expand its revenue streams to compensate for the lower demand for the Company's digital cinema products and installation services; potential interruptions of supplier relationships or higher prices charged by suppliers; the Company's ability to successfully compete and introduce enhancements and new features that achieve market acceptance and that keep pace with technological developments; the Company's ability to maintain its brand and reputation and retain or replace its significant customers; challenges associated with the Company's long sales cycles; the impact of a challenging global economic environment or a downturn in the markets; the effects of economic, public health, and political conditions that impact business and consumer confidence and spending, including rising interest rates, periods of heightened inflation and market instability, the outbreak of any highly infectious or contagious diseases, such as COVID-19 and its variants or other health epidemics or pandemics, and armed conflicts, such as the ongoing military conflict in Ukraine and related sanctions; economic and political risks of selling products in foreign countries (including tariffs); risks of non-compliance with U.S. and foreign laws and regulations, potential sales tax collections and claims for uncollected amounts; cybersecurity risks and risks of damage and interruptions of information technology systems; the Company's ability to retain key members of management and successfully integrate new executives; the Company's ability to complete acquisitions, strategic investments, entry into new lines of business, divestitures, mergers or other transactions on acceptable terms, or at all; the impact of economic, public health and political conditions on the companies in which the Company holds equity stakes; the Company's ability to utilize or assert its intellectual property rights, the impact of natural disasters and other catastrophic events, whether natural, man-made, or otherwise (such as the outbreak of any highly infectious or contagious diseases, or armed conflict); and the adequacy of the Company's insurance. Given the risks and uncertainties, readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results which may not occur as anticipated. Many of the risks listed above have been, and may further be, exacerbated by the impact of economic, public health (such as a resurgence of the COVID-19 pandemic) and political conditions (such as the military conflict in Ukraine) that impact consumer confidence and spending, particularly in the cinema, entertainment, and other industries in which the Company and the companies in which the Company holds an equity stake operate, and the worsening economic environment. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described herein, as well as others not now anticipated. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except where required by law, the Company assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

Overview

Strong Global Entertainment, Inc. ("Strong Global Entertainment," the "Company," "we," "our," and "us") is a leader in the entertainment industry, providing mission critical products and services to cinema exhibitors and entertainment venues for over 80 years. The Company manufactures and distributes premium large format projection screens, provides comprehensive managed services, technical support and related products and services primarily to cinema exhibitors, theme parks, educational institutions, and similar venues. In addition to traditional projection screens, the Company manufactures and distributes its Eclipse curvilinear screens, which are specially designed for theme parks, immersive exhibitions, as well as simulation applications. It also provides maintenance, repair, installation, network support services and other services to cinema operators, primarily in the United States. The Company also owns Strong Studios, which develops and produces original feature films and television series.

On September 12, 2023, we acquired all of the outstanding capital stock of Unbounded Media Corporation and its subsidiaries ("Unbounded"), an independent media and creative production company. Unbounded develops, creates and produces film, advertising, and branded content for a broad range of clients. In an all-stock transaction, the deal with Unbounded marks the first acquisition in a broader strategy to acquire a portfolio of multi-disciplined content and services companies. Unbounded, in partnership with Strong Studios, will also further develop its original IP portfolio, under its Fieldhouse Entertainment division, which currently includes feature films employing Strong Studios' long form production expertise and industry network.

On November 3, 2023, we entered into an asset purchase agreement with Innovative Cinema Solutions, LLC ("ICS"), a full service provider of technical services and solutions to national cinema chains. The operations of ICS will be rolled into STS.

We plan to grow market share and organic revenue and improve operating results, with the intent of expanding the ultimate valuation of the business. In addition, we may acquire other businesses, which may be within or outside of our existing markets.

Impact of COVID-19 Pandemic

The coronavirus pandemic ("COVID-19") had an unprecedented impact to consumer behaviors and our customers, particularly our customers' ability and willingness to purchase our products and services. The Company believes that consumer reticence to engage in outside-the-home activities, caused by the risk of contracting COVID-19, has abated, and our customers have resumed more typical, pre-COVID-19 purchasing behaviors. And while we believe our customers made significant progress in its recovery from the pandemic, the impact of COVID-19 on inflation and supply chains and the continued economic recovery will be contingent upon several key factors, including the volume of new film content available, the box office performance of new film content released, the duration of the exclusive theatrical release window, and evolving consumer behavior with competition from other forms of in- and out-of-home entertainment. There can be no assurances that there will be no additional public health crises, including further resurgence or variants of COVID-19, which could reverse the current trend and have a negative impact on the Company's results of operations. Our results of operations in future periods may continue to be adversely impacted by inflationary pressures and global supply chain issues, and other negative effects on global economic conditions.

Results of Operations

The following table sets forth our operating results for the periods indicated:

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Net revenues	$ 10,920	$ 9,903	$ 1,017	10.3%
Cost of revenues	8,098	7,532	566	7.5%
Gross profit	2,822	2,371	451	19.0%
Gross profit percentage	25.8%	23.9%		
Selling and administrative expenses	2,639	1,866	773	41.4%
Income from operations	183	505	(322)	(63.8)%
Other income	56	498	(442)	(88.8)%
Income before income taxes	239	1,003	(764)	(76.2)%
Income tax expense	(205)	(233)	28	(12.0)%
Net income	$ 34	$ 770	$ (736)	(95.6)%

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Net revenues	$ 38,709	$ 28,446	$ 10,263	36.1%
Cost of revenues	26,358	21,771	4,587	21.1%
Gross profit	12,351	6,675	5,676	85.0%
Gross profit percentage	31.9%	23.5%		
Selling and administrative expenses	11,635	5,861	5,774	98.5%
Gain on disposal of asset	1	-	1	N/M
Income from operations	717	814	(97)	(11.9)%
Other (expense) income	(373)	579	(952)	(164.4)%
Income before income taxes	344	1,393	(1,049)	(75.3)%
Income tax expense	(349)	(417)	68	(16.3)%
Net (loss) income	$ (5)	$ 976	$ (981)	(100.5)%

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 30, 2022

Revenues

Revenue increased 10.3% to $10.9 million in the third quarter of 2023 from $9.9 million in the third quarter of 2022. The increase from the prior year was due to $0.3 million of higher revenue from product sales and a $0.7 million increase in service revenue.

The increase in revenue from products was primarily due to a 16% increase in sales of screen systems as the upgrade to laser projection continues across the industry, as well as higher revenue from our Eclipse product line as a result of new projects, partially offset by a slight decline in the sale of digital equipment. We expect the upgrades from xenon to laser to accelerate throughout 2023 and continue for at least the next several years.

On the cinema services side, the primary driver of the revenue increase was from installation services and field maintenance and monitoring services, both of which were up $0.3 million from the third quarter in the prior year as we have increased the scope of our offerings to better support our customers and to increase market share in cinema services, including cinema screen installation work performed for certain of our customers.

Gross Profit

Gross profit was $2.8 million or 25.8% of revenues in the third quarter of 2023 compared to $2.4 million or 23.9% in the third quarter of 2022.

Gross profit from product sales was $2.2 million or 27.3% of revenues for the third quarter of 2023 compared to $2.1 million or 27.9% of revenues for the third quarter of 2022.

Gross profit from service revenue was $0.6 million or 21.8% of revenues for the third quarter of 2023 compared to $0.2 million or 10.0% of revenues for the third quarter of 2022. Gross profit percentage increased from the prior year due to higher overall gross margin from cinema services. Gross margin on our installation services also improved from the prior year as we benefited from the transition from third-party screen installation costs with internal labor.

Income from Operations

Income from operations was $0.2 million in the third quarter of 2023 compared to $0.5 million during the third quarter of 2022. The increase in gross profit was partially offset by higher selling and administrative expenses, including marketing and travel and entertainment expenses, as revenue and business activity increased. We also incurred higher general and administrative expenses in connection with operating as an independent public company following the Separation in May 2023.

Other Financial Items

Total other income of $0.1 million during the third quarter of 2023 primarily consisted of $0.1 million of foreign currency transaction adjustments, partially offset by $0.1 million of interest expense. Total other income of $0.5 million during the third quarter of 2022 included $0.5 million of foreign currency transaction adjustments, partially offset by $31,000 of interest expense.

Income tax expense was $0.2 million during both the third quarter of 2023 and 2022. Our income tax expense primarily consisted of income tax on our foreign earnings.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Revenues

Revenue increased 36.1% to $38.7 million in the first nine months of 2023 from $28.4 million in the first nine months of 2022. The increase from the prior year was due to $1.5 million of higher revenue from product sales and $8.7 million increase in service revenue, which included $6.4 million from the sale of an ownership stake in the *Safehaven* series. The revenue recognized in connection with Strong Studios' projects will vary from period to period and will depend on the timing of the monetization of the projects. Excluding the revenue related to *Safehaven*, total revenue during the first nine months of 2023 increased 13.7% over the prior year, and service revenue increased 36.9%.

The increase in revenue from products was primarily due to a $0.8 million of higher sales of traditional cinema screens and $0.7 million increase in the sale of digital equipment. We expect the upgrades from xenon to laser to accelerate throughout 2023 and continue for at least the next several years.

On the cinema services side, the primary driver of the revenue increase was from installation services, which increased $1.3 million from the prior year as we have increased the scope of our offerings to better support our customers and to increase market share in cinema services, including cinema screen installation work performed for certain of our customers.

Gross Profit

Gross profit was $12.4 million or 31.9% of revenues in the first nine months of 2023 compared to $6.7 million or 23.5% in the first nine months of 2022. Gross profit during the first nine months of 2023 included approximately $4.4 million from the sale of an ownership stake in *Safehaven*. Gross profit realized in connection with Strong Studios' projects will vary from period to period and will depend on the timing of the monetization of the projects. Excluding the gross profit related to *Safehaven*, total gross profit during the first nine months of 2023 would have been 24.6% of revenue.

Gross profit from product sales was $6.0 million or 25.5% of revenues for the first nine months of 2023 compared to $5.8 million or 26.5% of revenues for the first nine months of 2022. The slight decrease in gross profit percentage from product sales resulted primarily from product mix as revenue from the sale of lower margin digital equipment grew at a slightly faster rate than our higher margin traditional cinema screens.

Gross profit from service revenue was $6.3 million or 41.9% of revenues for the first nine months of 2023 compared to $0.8 million or 13.1% of revenues for the first nine months of 2022. Gross profit percentage increased from the prior year due to the sale of an ownership stake in the *Safehaven* series. Excluding the gross profit related to Safehaven, gross profit from service revenue during the first nine months of 2023 would have been 22.0% of revenue. We expect margins on installation services to continue to improve as we continue to onboard and utilize our internal installation team.

Income from Operations

Income from operations was $0.7 million in the first nine months of 2023 compared to $0.8 million during the first nine months of 2022. We recorded approximately $1.2 million of costs in connection with the completion of the IPO and $3.4 million of production participation costs in connection with the sale of an ownership stake in the *Safehaven* series. In addition, selling and administrative expenses, marketing and travel and entertainment expenses were higher during the first nine months of 2023 as revenue and business activity increased, including the addition of Strong Studios, in the current period as compared to the prior year, and operating as a publicly traded company, which was offset by an increase in gross profit.

Other Financial Items

Total other expense of $0.4 million during the first nine months of 2023 primarily consisted of $0.2 million of foreign currency transaction adjustments and $0.2 million of interest expense. Total other income of $0.6 million during the third quarter of 2022 included $0.6 million of foreign currency transaction adjustments, partially offset by $0.1 million of interest expense.

Income tax expense was $0.3 million and $0.4 million during the first nine months of 2023 and 2022, respectively. Our income tax expense primarily consisted of income tax on our foreign earnings.

Liquidity and Capital Resources

During the past several years, we have primarily met our working capital and capital resource needs from operating cash flows and credit facilities, as well as our initial public offering. Our primary cash requirements involve operating expenses, working capital, capital expenditures, and other general corporate activities. We ended the third quarter of 2023 with total cash and cash equivalents of $3.1 million compared to $3.6 million as of December 31, 2022.

In response to the COVID-19 pandemic and related closures of cinemas, theme parks and entertainment venues, we took decisive actions to conserve cash, reduce operating expenditures, delay capital expenditures, and manage working capital.

We believe that our existing sources of liquidity, including cash and cash equivalents, operating cash flow, credit facilities, receivables and other assets will be sufficient to meet our projected capital needs for at least the next twelve months. However, our ability to continue to meet our cash requirements will depend on, among other things, our ability to achieve anticipated levels of revenues and cash flow from operations, our ability to manage costs and working capital successfully, any unforeseen disruptions of cinemas, theme parks and other entertainment venues (such as those experienced with COVID-19), and the continued availability of financing, if needed. We cannot provide any assurance that our assumptions used to estimate our liquidity requirements will remain accurate due to the variability and unpredictability of the current economic environment. In the event of a sustained market deterioration or declines in net sales or other events, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions. We may, depending on a variety of factors, including market conditions for capital raises, the trading price of our

Class A Voting Common Shares without par value ("Common Shares") and opportunities for uses of any proceeds, engage in additional public or private offerings of equity or debt securities to increase our capital resources. However, financial and economic conditions could limit our access to credit and impair our ability to raise capital, if needed, on acceptable terms or at all, and we cannot provide any assurance that we will be able to obtain any additional sources of financing or liquidity on acceptable terms, or at all. See Note 12 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, for a description of our debt as of September 30, 2023.

Debt

Strong/MDI Installment Loans & Revolving Credit Facility

On June 7, 2021, Strong/MDI entered into a demand credit agreement (the "2021 Credit Agreement") with Canadian Imperial Bank of Commerce ("CIBC"), which amended and restated the demand credit agreement dated as of September 5, 2017. The 2021 Credit Agreement consisted of a revolving line of credit for up to CDN$2.0 million subject to a borrowing base requirement, a 20-year installment loan for up to CDN$5.1 million and a 5-year installment loan for up to CDN$0.5 million. These borrowings were due on demand by the lender. In January 2023, Strong/MDI entered into a demand credit agreement (the "2023 Credit Agreement"), which amended and restated the 2021 Credit Agreement. The 2023 Credit Agreement consists of a revolving line of credit for up to CAD$5.0 million and a 20-year installment loan for up to CAD$3.1 million. Under the 2023 Credit Agreement: (i) the amount outstanding under the line of credit is payable on demand and bears interest at the lender's prime rate plus 1.0% and (ii) the amount outstanding under the installment loan bears interest at the lender's prime rate plus 0.5% and is payable in monthly installments, including interest, over their respective borrowing periods. The lender may also demand repayment of the installment loan at any time. The 2023 Credit Agreement is secured by a lien on Strong/MDI's Quebec, Canada facility and substantially all of Strong/MDI's assets. The 2023 Credit Agreement requires Strong/MDI to maintain a ratio of liabilities to "effective equity" (tangible stockholders' equity, less amounts receivable from affiliates and equity holdings) not exceeding 2.5 to 1 and a fixed charge coverage ratio of not less than 1.1 times earnings before interest, income taxes, depreciation and amortization. The borrowings under the revolving line of credit are due on demand by the lender and total $2.3 million, approximately $3.1 million CAD, as of September 30, 2023. In May 2023, Strong/MDI and CIBC entered into an amendment to the 2023 Credit Agreement which reduced the amount available under the revolving line of credit to CAD$3.4 million, and CIBC provided an undertaking to Strong/MDI to a release of CIBC's security interest in certain assets transferred to a subsidiary in connection with transactions related to our initial public offering (the "IPO").

Cash Flows from Operating Activities

Net cash used in operating activities was $0.9 million during the first nine months of 2023 compared to $1.8 million during the first nine months of 2022. Cash from operations increased due to improvements in working capital including the collection of accounts receivable and customer deposits, which was partially offset by higher payments to our vendors and for other accrued expenses.

Cash Flows from Investing Activities

Net cash used in investing activities was $0.8 million during the first nine months of 2023, which consisted of $0.3 million of capital expenditures and a $0.5 million outflow related to the acquisition of film and television programming rights. Net cash used in investing activities during the first nine months of 2022 was $0.6 million, which consisted of $0.2 million of capital expenditures and a $0.4 million outflow related to the acquisition of film and television programming rights.

Cash Flows from Financing Activities

Net cash provided by financing activities was $1.1 million during the first nine months of 2023, which primarily consisted of net proceeds of our IPO of $2.4 million and $2.3 million of net borrowings under the CIBC revolving line of credit, partially offset by $3.0 million transferred to FG Group Holdings and $0.5 million of principal payments on debt and finance leases. Net cash provided by financing activities was $1.0 million during the first nine months of 2022, consisting primarily of $1.3 million transferred from FG Group Holdings, partially offset by $0.2 million of principal payments on debt.

Use of Non-GAAP Measures

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP"). In addition to disclosing financial results prepared in accordance with GAAP, we disclose information regarding Adjusted EBITDA, which differs from the term EBITDA as it is commonly used. In addition to adjusting net income (loss) to exclude income taxes, interest, and depreciation and amortization, Adjusted EBITDA also excludes share-based compensation, impairment charges, severance, foreign currency transaction gains (losses), transactional gains and expenses, gains on insurance recoveries and other cash and non-cash charges and gains.

EBITDA and Adjusted EBITDA are not measures of performance defined in accordance with GAAP. However, Adjusted EBITDA is used internally in planning and evaluating our operating performance. Accordingly, management believes that disclosure of these metrics offers investors, bankers and other stakeholders an additional view of our operations that, when coupled with the GAAP results, provides a more complete understanding of our financial results.

EBITDA and Adjusted EBITDA should not be considered as an alternative to net income (loss) or to net cash from operating activities as measures of operating results or liquidity. Our calculation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures used by other companies, and the measures exclude financial information that some may consider important in evaluating our performance.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are (i) they do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) they do not reflect changes in, or cash requirements for, our working capital needs, (iii) EBITDA and Adjusted EBITDA do 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 EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements, (v) they do not adjust for all non-cash income or expense items that are reflected in our statements of cash flows, (vi) they do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations, and (vii) other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

We believe EBITDA and Adjusted EBITDA facilitate operating performance comparisons from period to period by isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and Adjusted EBITDA because (i) we believe these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use EBITDA and Adjusted EBITDA internally as benchmarks to evaluate our operating performance or compare our performance to that of our competitors.

The following table sets forth reconciliations of net income under GAAP to EBITDA and Adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	$ 34	$ 770	$ (5)	$ 976
Interest expense, net	88	31	206	82
Income tax expense	205	233	349	417
Depreciation and amortization	129	154	2,438	521
EBITDA	456	1,188	2,988	1,996
Stock-based compensation expense	124	25	890	97
IPO related expenses	-	-	475	-
Unbounded acquisition related expenses	42	-	42	-
Foreign currency transaction (gain) loss	(126)	(518)	183	(646)
Severance and other	7	-	7	-
Adjusted EBITDA	$ 503	$ 695	$ 4,585	$ 1,447

Hedging and Trading Activities

Our primary exposure to foreign currency fluctuations pertains to our subsidiary in Canada. In certain instances, we may enter into a foreign exchange contract to manage a portion of this risk. We do not have any trading activities that include non-exchange traded contracts at fair value.

Seasonality

Generally, our revenue and earnings fluctuate moderately from quarter to quarter. As we increase our sales in our current markets, and as we expand into new markets in different geographies, it is possible we may experience different seasonality patterns in our business. As a result, the results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for an entire fiscal year.

Recently Issued Accounting Pronouncements

See Note 2, Summary of Significant Accounting Policies, to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently issued accounting pronouncements.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make a variety of decisions which impact the reported amounts and the related disclosures. These decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In making these decisions, management applies its judgment based on its understanding and analysis of the relevant circumstances and our historical experience.

Our accounting policies and estimates that are most critical to the presentation of our results of operations and financial condition, and which require the greatest use of judgments and estimates by management, are designated as our critical accounting policies.

Revenue Recognition

The Company accounts for revenue using the following steps:

- Identify the contract, or contracts, with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the identified performance obligations; and
- Recognize revenue when, or as, the Company satisfies the performance obligations.

We combine contracts with the same customer into a single contract for accounting purposes when the contracts are entered into at or near the same time and the contracts are negotiated as a single commercial package, consideration in one contract depends on the other contract, or the services are considered a single performance obligation. If an arrangement involves multiple performance obligations, the items are analyzed to determine the separate units of accounting, whether the items have value on a standalone basis and whether there is objective and reliable evidence of their standalone selling price. The total contract transaction price is allocated to the identified performance obligations based upon the relative standalone selling prices of the performance obligations. The standalone selling price is based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost plus margin approach. We estimate the amount of total contract consideration we expect to receive for variable arrangements by determining the most likely amount we expect to earn from the arrangement based on the expected quantities of services we expect to provide and the contractual pricing based on those quantities. We only include some or a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is subsequently resolved. We consider the sensitivity of the estimate, our relationship and experience with the client and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement.

As discussed in more detail below, revenue is recognized when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. We typically do not have any material extended payment terms, as payment is due at or shortly after the time of the sale. Sales, value-added and other taxes collected concurrently with revenue producing activities are excluded from revenue.

We recognize contract assets or unbilled receivables related to revenue recognized for services completed but not yet invoiced to the clients.

Unbilled receivables are recorded as accounts receivable when we have an unconditional right to contract consideration. A contract liability is recognized as deferred revenue when we invoice clients, or receive cash, in advance of performing the related services under the terms of a contract. Deferred revenue is recognized as revenue when we have satisfied the related performance obligation.

We defer costs to acquire contracts, including commissions, incentives and payroll taxes, if they are incremental and recoverable costs of obtaining a customer contract with a term exceeding one year. Deferred contract costs are reported within other assets and amortized to selling expense over the contract term, which generally ranges from one to five years. The Company has elected to recognize the incremental costs of obtaining a contract with a term of less than one year as a selling expense when incurred. We did not have any deferred contract costs as of September 30, 2023 or December 31, 2022.

Film and Television Programming Rights

Commencing in March 2022, we began producing original productions and acquiring rights to films and television programming. Film and television programming rights include the unamortized costs of in-process or in-development content produced or acquired by us. Our capitalized costs include all direct production and financing costs, capitalized interest when applicable, and production overhead. Film and television program rights are stated at the lower of amortized cost or estimated fair value. Fair value is determined using a discounted cash flow methodology with assumptions for cash flows. Key inputs employed in the discounted cash flow methodology include estimates of ultimate revenue (as defined below) and costs, as well as a discount rate. The discount rate utilized in the valuation is based on the weighted average cost of capital of the Company plus a risk premium representing the risk associated with acquiring the film and television programming rights.

The costs of producing content are amortized using the individual-film-forecast method. These costs are amortized based on the ratio of the current period's revenues to management's estimated remaining total gross revenues to be earned ("Ultimate Revenue") as of each reporting date to reflect the most current available information. Management's judgment is required in estimating Ultimate Revenue and the costs to be incurred throughout the life of each film or television program. Amortization is adjusted when necessary to reflect increases or decreases in forecasted Ultimate Revenues.

For an episodic television series, the period over which Ultimate Revenues are estimated cannot exceed ten years following the date of delivery of the first episode, or, if still in production, five years from the date of delivery of the most recent episode, if later. For films, Ultimate Revenue includes estimates over a period not to exceed ten years following the date of initial release.

Content assets are expected to be predominantly monetized individually and therefore are reviewed at the individual level when an event or change in circumstance indicates a change in the expected usefulness of the content or the fair value may be less than the unamortized cost.

Due to the inherent uncertainties involved in making such estimates of Ultimate Revenues and expenses, these estimates may differ from actual results. In addition, in the normal course of our business, some films and titles will be more successful or less successful than anticipated. Management regularly reviews and revises, when necessary, its Ultimate Revenue and cost estimates, which may result in a change in the rate of amortization of film costs and participations and residuals and/or a write-down of all or a portion of the unamortized costs of the film or television program to its estimated fair value. An increase in the estimate of Ultimate Revenue will generally result in a lower amortization rate and, therefore, less film and television program amortization expense, while a decrease in the estimate of Ultimate Revenue will generally result in a higher amortization rate and, therefore, higher film and television program amortization expense, and also periodically result in an impairment requiring a write-down of the film cost to the title's fair value. We have not yet incurred any of these write-downs.

An impairment charge would be recorded in the amount by which the unamortized costs exceed the estimated fair value. Estimates of future revenue involve measurement uncertainties and it is therefore possible that reductions in the carrying value of film library costs may be required because of changes in management's future revenue estimates.

Cost Allocations

Our historical combined financial statements for periods prior to the IPO were prepared on a stand-alone basis in accordance with U.S. GAAP and are derived from FG Group Holdings' consolidated financial statements and accounting records using the historical results of operations and assets and liabilities attributed to our operations and include allocations of expenses from FG Group Holdings. FG Group Holdings continues to provide certain services to us, and costs associated with these functions have been allocated to us in such prior period financial statements. The allocations include costs related to corporate services, such as executive management, information technology, legal, finance and accounting, human resources, tax, treasury, and other services. These costs were allocated on a basis of revenue, headcount or other measures we have determined as reasonable. Stock-based compensation includes expense attributable to our employees are also allocated from FG Group Holdings. These allocations are reflected within operating expenses in our consolidated statements of operations. Management believes the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to, or the benefit received by, us during the periods presented. However, these allocations may not necessarily be indicative of the actual expenses we would have incurred as an independent company during the periods prior to the IPO or of the additional costs we incur as a stand-alone company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable as we are a "smaller reporting company" as defined by Item 229.10(f)(1) of Regulation S-K.

Item 4. Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer and principal accounting officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in § 240.13a-15(e) or 240.15d-15(e) of Regulation S-K) were effective at ensuring that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (1) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission (the "SEC")'s rules and forms.

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

In the ordinary course of our business operations, we are involved, from time to time, in certain legal disputes. FG Group Holdings is named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims based principally on allegations of past distribution of commercial lighting products containing wiring that may have contained asbestos. Each case names dozens of corporate defendants in addition to FG Group Holdings. In FG Group Holdings' experience, a large percentage of these types of claims have never been substantiated and have been dismissed by the courts. FG Group Holdings has suffered any adverse verdict in a trial court proceeding related to asbestos claims and intends to continue to defend these lawsuits. Under the FG Group Holdings Asset Purchase Agreement, we agreed to indemnify FG Group Holdings for future losses, if any related to current product liability or personal injury claims arising out of products sold or distributed in the U.S. by the operations of the businesses being transferred to us in the Separation, in an aggregate amount not to exceed $250,000 per year, as well as to indemnify FG Group Holdings for all expenses (including legal fees) related to the defense of such claims. As of September 30, 2023, we have a loss contingency reserve of approximately $0.3 million, which represents our estimate of our potential losses related to the settlement of open cases. During 2022 and the first nine months of 2023, FG Group Holdings settled three cases, which resulted in payments totaling $53,000. When appropriate, FG Group Holdings may settle additional claims in the future. We do not expect the resolution of these cases to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes to the risk factors disclosed in our final prospectus as filed with the SEC on May 16, 2023 pursuant to Rule 424(b)(5) under the Securities Act, relating to our Registration Statement on Form S-1. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities

None.

Use of Proceeds from IPO of Common Shares

On October 26, 2021, our Registration Statement on Form S-1 (file No.: 333-264165) was declared effective by the SEC for our IPO of Common Shares. Our Common Shares began trading on NYSE American on May 16, 2023, and the IPO closed on May 18, 2023. In connection with our IPO, we issued and sold an aggregate of 1,000,000 Common Shares at a price of $4.00 per share. The Company also granted the underwriters a 45-day option to purchase up to 150,000 additional Common Shares of the Company on the same terms and conditions for the purpose of covering any over-allotments in connection with the IPO. On May 18, 2023, we also issued to the representative of the underwriters or its designees, warrants to purchase up to an aggregate of 50,000 Common Shares with the exercise price of $5.00 per share. Total net proceeds of approximately $1.4 million were raised from the IPO after deducting underwriting discounts and commissions and before offering costs. Estimated offering costs amounted to approximately $2.1 million.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on May 16, 2023 pursuant to Rule 424(b).

Issuer Purchases of Equity Securities

The following table presents information with respect to purchases of common stock we made during the quarter ended September 30, 2023. The table reflects shares withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the 2023 Share Compensation Plan (the "Plan"). The Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. The shares of common stock withheld to satisfy tax withholding obligations may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	The Maximum Number of Shares That May Still be Purchased Under the Plans or Programs
July 2023	-	$ -	-	-
August 2023	6,588	1.85	6,588	-
September 2023	-	-	-	-
Quarter Ended September 30, 2023	6,588	$ 1.85	6,588	-

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Document Description	Incorporated by Reference: Form	Exhibit	Filing Date	Filed Herewith
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.				X
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.				X

32.1	18 U.S.C. Section 1350 Certification of Chief Executive Officer.	X
32.2	18 U.S.C. Section 1350 Certification of Chief Financial Officer .	X
101	The following materials from Strong Global Entertainment, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets (unaudited); (ii) the Condensed Consolidated Statements of Operations (unaudited); (iii) the Condensed Consolidated Statements of Comprehensive Loss (unaudited); (iv) the Condensed Consolidated Statements of Stockholders' Equity (unaudited); (v) the Condensed Consolidated Statements of Cash Flows (unaudited); and (vi) the Notes to Condensed Consolidated Financial Statements (unaudited).	X
104	XBRL Cover Page Interactive Data File (embedded within the Inline XBRL document).	X

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.

STRONG GLOBAL ENTERTAINMENT, INC.

By:	*/s/ MARK D. ROBERSON* Mark D. Roberson Chief Executive Officer (Principal Executive Officer)	By:	*/s/ TODD R. MAJOR* Todd R. Major Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Date:	November 9, 2023	Date:	November 9, 2023

Exhibit 31.1

CERTIFICATION

I, Mark D. Roberson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 of Strong Global Entertainment, 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(s) 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(s) 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.

By: */s/ MARK D. ROBERSON*
Mark D. Roberson
Chief Executive Officer

November 9, 2023

Exhibit 31.2

CERTIFICATION

I, Todd R. Major, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 of Strong Global Entertainment, 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(s) 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(s) 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.

By: */s/ TODD R. MAJOR*
Todd R. Major
Chief Financial Officer

November 9, 2023

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. Section 1350, as adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, Mark D. Roberson, Chief Executive Officer of Strong Global Entertainment, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge 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. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 9th day of November 2023.

/s/ MARK D. ROBERSON
Mark D. Roberson
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Strong Global Entertainment, Inc. and will be retained by Strong Global Entertainment, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. Section 1350, as adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, Todd R. Major, Chief Financial Officer of Strong Global Entertainment, Inc. (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (the “Report”).

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge 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. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 9th day of November 2023.

/s/ TODD R. MAJOR
Todd R. Major
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Strong Global Entertainment, Inc. and will be retained by Strong Global Entertainment, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.