**IDW Media Holdings, Inc.**
A Delaware Corporation
520 Broad St.
Newark, NJ 07102

(323) 433-6670
www.idwmh.com
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SIC Code: 7310

**Quarterly Report**

**For the Period Ending:** 07/31/2023
(the "Reporting Period")

As of 07/31/2023 the number of shares outstanding of our Common Stock was:

- ☐ Class B Common Stock 13,690,431 shares (excluding 519,360 shares of Class B common stock held in treasury)
- ☐ Class C Common Stock 545,360 shares

As of 4/30/2023 the number of shares outstanding of our Common Stock was:

- ☐ Class B Common Stock 13,690,431 shares (excluding 519,360 shares of Class B common stock held in treasury)
- ☐ Class C Common Stock 545,360 shares

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

**Item 1 Exact name of the issuer and the address of its principal executive offices.**

The name and address of the issuer's principal executive office:

IDW Media Holdings, Inc.
520 Broad St. Newark NJ 07102
(323) 433-6670
http://www.idwmh.com

The address(es) of the issuer's principal place(es) of business:

2355 Northside Drive, Suite 140, San Diego, CA 92108
14144 Ventura Blvd., Suite 210, Sherman Oaks, CA 91423

**Item 2 Shares Outstanding.**

Class B Common Stock (as of July 31, 2023)

| | |
|---|---|
| Total shares authorized: | 20,000,000 |
| Total shares outstanding: | 13,690,431 shares (excluding 519,360 shares in treasury) |
| Number of shares in the Public Float: | 11,180,280 |
| Number of beneficial shareholders owning at least 100 shares: | 100 |
| Total number of shareholders of record: | 110 |

Class B Common Stock (as of October 31, 2022)

| | |
|---|---|
| Total shares authorized: | 20,000,000 |
| Total shares outstanding: | 13,534,148 shares (excluding 519,360 shares in treasury) |
| Number of shares in the Public Float: | 11,166,212 |
| Number of beneficial shareholders owning at least 100 shares: | 98 |
| Total number of shareholders of record: | 108 |

Class B Common Stock (as of October 31, 2021)

| | |
|---|---|
| Total shares authorized: | 20,000,000 |
| Total shares outstanding: | 12,419,080 shares (excluding 519,360 shares in treasury) |
| Number of shares in the Public Float: | 10,240,678 |
| Number of beneficial shareholders owning at least 100 shares: | 124 |
| Total number of shareholders of record: | 133 |

Class C Common Stock (as of July 31, 2023, October 31, 2022, and October 31, 2021)

| | |
|---|---|
| Total shares authorized: | 2,500,000 |
| Total shares outstanding: | 545,360 |

Preferred Stock (as of July 31, 2023, October 31, 2022, and October 31, 2021)

| | |
|---|---|
| Total shares authorized: | 500,000 |
| Total shares outstanding: | 0 |



**Item 3 Interim Financial Statements.**

## IDW MEDIA HOLDINGS, INC.
## CONDENSED CONSOLIDATED BALANCE SHEETS

| (in thousands, except per share data) | July 31, 2023 (unaudited) | October 31, 2022 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 3,577 | $ 10,014 |
| Trade accounts receivable, net | 6,598 | 6,448 |
| Inventory | 5,264 | 4,285 |
| Prepaid expenses and other current assets | 2,741 | 2,714 |
| Total current assets | 18,180 | 23,461 |
| **Non-current assets** | | |
| Property and equipment, net | 602 | 725 |
| Operating lease right-of-use assets, net | 948 | 1,157 |
| Intangible assets, net | 425 | 859 |
| Goodwill | 199 | 199 |
| Television costs, net | 1,593 | 1,486 |
| Other assets | 54 | 54 |
| **Total assets** | **$ 22,001** | **$ 27,941** |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Trade accounts payable | $ 1,898 | $ 1,321 |
| Accrued expenses | 1,876 | 3,353 |
| Production costs payable | - | 33 |
| Deferred revenue | 54 | - |
| Operating lease obligations – current portion | 294 | 278 |
| Total current liabilities | 4,122 | 4,985 |
| **Non-current liabilities** | | |
| Operating lease obligations – long term portion | 690 | 911 |
| **Total liabilities** | **4,812** | **5,896** |
| **Stockholders' equity (see Note 3):** | | |
| Preferred stock, $.01 par value; authorized shares – 500; no shares issued at July 31, 2023 and October 31, 2022 | - | - |
| Class B common stock, $0.01 par value; authorized shares – 20,000; 14,209 and 14,053 shares issued and 13,690 and 13,534 shares outstanding at July 31, 2023 and October 31, 2022, respectively | 135 | 134 |
| Class C common stock, $0.01 par value; authorized shares – 2,500; 545 shares issued and outstanding at July 31, 2023 and October 31, 2022 | 5 | 5 |
| Additional paid-in capital | 105,119 | 104,553 |
| Accumulated deficit | (86,874) | (81,451) |
| Treasury stock, at cost, consisting of 519 shares of Class B common stock at July 31, 2023 and October 31, 2022 | (1,196) | (1,196) |
| **Total stockholders' equity** | **17,189** | **22,045** |
| **Total liabilities and stockholders' equity** | **$ 22,001** | **$ 27,941** |

See accompanying notes to condensed consolidated financial statements.

## IDW MEDIA HOLDINGS, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
## (Unaudited)

| (in thousands, except per share data) | Three Months Ended July 31, 2023 | Three Months Ended July 31, 2022 | Nine Months Ended July 31, 2023 | Nine Months Ended July 31, 2022 |
|---|---|---|---|---|
| Revenues | $ 6,256 | $ 7,712 | $ 18,336 | $ 25,615 |
| Costs and expenses: | | | | |
| Direct cost of revenues | 3,738 | 3,734 | 10,086 | 12,121 |
| Selling, general and administrative | 3,421 | 4,672 | 12,772 | 14,264 |
| Depreciation and amortization | 610 | 74 | 898 | 258 |
| Total costs and expenses | 7,769 | 8,480 | 23,756 | 26,643 |
| Loss from operations | (1,513) | (768) | (5,420) | (1,028) |
| Interest income (expense), net | 15 | - | 45 | (10) |
| Other (expense) income, net | - | (69) | (49) | (63) |
| **Net loss** | **$ (1, 498)** | **$ (837)** | **$ (5,424)** | **$ (1,101)** |
| Basic and diluted loss per share (see note 2): | | | | |
| Net Loss | $ (0.11) | $ (0.06) | $ (0.41) | $ (0.09) |
| Weighted-average number of shares used in the calculation of basic and diluted loss per share: | 13,295 | 12,914 | 13,096 | 12,901 |

See accompanying notes to condensed consolidated financial statements.



## IDW MEDIA HOLDINGS, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
## Three Months Ended July 31, 2023 and 2022
## (Unaudited)

| (in thousands) | Class B Common Stock Number of Shares | Class B Common Stock Amount | Class C Common Stock Number of Shares | Class C Common Stock Amount | Additional Paid In Capital | Accumulated Deficit | Treasury Stock, at Cost Number of Shares | Treasury Stock, at Cost Amount | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance April 30, 2023 | 14,209 | $ 135 | 545 | $ 5 | $ 104,996 | $ (85,377) | 519 | $ (1,196) | $ 18,563 |
| Stock based compensation | - | - | - | - | 124 | - | - | - | 124 |
| Net loss | - | - | - | - | - | (1,498) | - | - | (1,498) |
| **Balance July 31, 2023** | **14,209** | **$ 135** | **545** | **$ 5** | **$ 105,120** | **$ (86,875)** | **519** | **$ (1,196)** | **$ 17,189** |

| (in thousands) | Class B Common Stock Number of Shares | Class B Common Stock Amount | Class C Common Stock Number of Shares | Class C Common Stock Amount | Additional Paid In Capital | Accumulated Deficit | Treasury Stock, at Cost Number of Shares | Treasury Stock, at Cost Amount | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance April 30, 2022 | 14,053 | $ 134 | 545 | $ 5 | $ 104,117 | $ (80,967) | 519 | $ (1,196) | $ 22,093 |
| Stock based compensation | - | - | - | - | 237 | - | - | - | 237 |
| Net loss | - | - | - | - | - | (837) | - | - | (837) |
| **Balance July 31, 2022** | **14,053** | **$ 134** | **545** | **$ 5** | **$ 104,354** | **$ (81,804)** | **519** | **$ (1,196)** | **$ 21,493** |

See accompanying notes to condensed consolidated financial statements.



**IDW MEDIA HOLDINGS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**Nine Months Ended July 31, 2023 and 2022**
**(Unaudited)**

| (in thousands) | Class B Common Stock Number of Shares | Class B Common Stock Amount | Class C Common Stock Number of Shares | Class C Common Stock Amount | Additional Paid In Capital | Accumulated Deficit | Treasury Stock, at Cost Number of Shares | Treasury Stock, at Cost Amount | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance October 31, 2022 | 14,053 | $ 134 | 545 | $ 5 | $ 104,553 | $ (81,451) | 519 | $(1,196) | $ 22,045 |
| Stock based compensation | - | - | - | - | 567 | - | - | - | 567 |
| Issuance of restricted stock | 156 | 1 | - | - | - | - | - | - | 1 |
| Net loss | - | - | - | - | - | (5,424) | - | - | (5,424) |
| **Balance July 31, 2023** | **14,209** | **$ 135** | **545** | **$ 5** | **$ 105,120** | **$ (86,875)** | **519** | **$(1,196)** | **$ 17,189** |
| | | | | | | | | | |
| Balance October 31, 2021 | 12,938 | $ 123 | 545 | $ 5 | $ 103,819 | $ (80,703) | 519 | $(1,196) | $ 22,048 |
| Stock based compensation | - | - | - | - | 546 | - | - | - | 546 |
| Issuance of restricted stock | 1,115 | 11 | - | - | (11) | - | - | - | - |
| Net loss | - | - | - | - | - | (1,101) | - | - | (1,101) |
| **Balance July 31, 2022** | **14,053** | **$ 134** | **545** | **$ 5** | **$ 104,354** | **$ (81,804)** | **519** | **$(1,196)** | **$ 21,493** |

See accompanying notes to condensed consolidated financial statements.

**IDW MEDIA HOLDINGS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| **(in thousands)** | **Nine Months Ended July 31, 2023** | **Nine Months Ended July 31, 2022** |
|---|---|---|
| **Operating activities:** | | |
| Net loss | $ (5,424) | $ (1,101) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Amortization of television costs | (156) | 717 |
| Impairment of television costs | 41 | 242 |
| Depreciation and amortization | 898 | 258 |
| Loss on disposal of property and equipment | 49 | - |
| Bad debt expense | 13 | - |
| Stock based compensation | 568 | 546 |
| Amortization of operating lease right-of-use assets | 210 | 327 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | (163) | (1,655) |
| Inventory | (979) | (474) |
| Prepaid expenses and other assets | (27) | (339) |
| Television costs | 8 | (923) |
| Operating lease obligations | (206) | (384) |
| Trade accounts payable | 577 | 984 |
| Accrued expenses | (1,477) | (716) |
| Production costs payable | (33) | (1,938) |
| Deferred revenue | 54 | (2,045) |
| Net cash used in operating activities | (6,047) | (6,501) |
| **Investing activities:** | | |
| Capital expenditures | (390) | (782) |
| Net cash used in investing activities | (390) | (782) |
| Net decrease in cash and cash equivalents | (6,437) | (7,283) |
| Cash and cash equivalents at beginning of period | 10,014 | 17,532 |
| **Cash and cash equivalents at end of period** | **$ 3,577** | **$ 10,249** |

See accompanying notes to condensed consolidated financial statements.



**IDW HOLDINGS, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

**Note 1—Basis of Presentation and Summary of Significant Accounting Policies**

*Overview*

IDW Media Holdings, Inc., a Delaware corporation, ("IDWMH") together with its subsidiaries (collectively, the "Company") is a diversified media company with operations in publishing and entertainment. The terms "Company," "we," "us," and "our" are used in this report to refer collectively to IDWMH and its subsidiaries through which various businesses are conducted.

*Basis of Presentation and Principles of Consolidation*

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. Certain information and footnote disclosures normally included in our annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. In the opinion of management, all adjustments (consisting principally of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results of operations are not necessarily indicative of the results for the full year or for any future period. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto which were filed with the Securities and Exchange Commission ("SEC") with our Annual Report on Form 10-K for the fiscal year ended October 31, 2022. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. All amounts in these condensed consolidated financial statements and notes to the condensed consolidated financial statements are reflected on a consolidated basis for all periods presented.

The Company's fiscal year ends on October 31$^{st}$. Each reference below to a fiscal year refers to the fiscal year ending in the calendar year indicated (e.g., fiscal 2022 refers to the fiscal year ended October 31, 2022).

*Reclassification of prior year presentation*

Certain prior year balances have been reclassified to conform to the current year's presentation. Amortization of television costs and impairment of television costs, previously netted against the change in television costs, are disclosed separately on the Condensed Consolidated Statement of Cash Flows. Such reclassifications had no effect on net loss.

*Use of Estimates*

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates. The Company has considered information available to it as of the date of issuance of these condensed consolidated financial statements and is not aware of any specific events or circumstances that would require an update to its estimates or judgements, or an adjustment to the carrying value of its assets or liabilities. The accounting estimates and other matters assessed include, but were not limited to the allowance for doubtful accounts, valuation of long-lived assets including intangible assets with finite useful lives and ultimate revenues for television costs, impairment of goodwill and other long-lived assets, and revenue recognition. These estimates may change as new events occur and additional information becomes available. Actual results could differ materially from these estimates.

*Risks and Uncertainties*

In May 2023, the World Health Organization declared an end to COVID-19 as a public health emergency. The Company continues to actively monitor the COVID-19 pandemic, the restrictive measures imposed to combat its spread and their potential impact on each of its operating segments. While the Company believes that in fiscal 2022 and through the second quarter of fiscal 2023, there has been significant improvement in the impact of the pandemic and the related measures, there is uncertainty around the duration and ongoing impact, if any, of COVID-19 related to both known and unknown risks, including future quarantines, closures and other restrictions resulting from the outbreak, and the Company's operations and its customers and partners may continue to be impacted.

In February 2022, the Russian Federation commenced a military action with the country of Ukraine. As a result of this action, various nations, including the United States of America, have instituted economic sanctions against the Russian Federation and Belarus. Further, the impact of this action and related sanctions on the world economy are not determinable as of the date of these financial statements and the specific impact on the Company's financial condition, results of operations, and cash flows related to IDW Publishing's foreign licenses is also not determinable as of the date of these financial statements.



*Segment Information*

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, *Segment Reporting,* establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

The Company's chief operating decision maker is the Chief Executive Officer, who reviews the financial performance and the results of operations of the segments prepared in accordance with U.S. GAAP when making decisions about allocating resources and assessing performance of the Company (see Note 5).

The Company's principal business consists of the following segments:

i. IDW Publishing ("IDWP") creates comic books, graphic novels and digital content through its imprints IDW, Top Shelf Productions and Artist's Editions; and

ii. IDW Entertainment ("IDWE") is a production company and studio that develops, produces, and distributes content based on IDWP's original copyrighted intellectual property ("IP"), published in the form of comic books, graphic novels and any other forms of print publication, for a variety of formats including film and television.

*Allowance for Doubtful Accounts*

Trade accounts receivables are recorded at the invoiced amount and are generally unsecured as they are uncollateralized. The Company provides an allowance for doubtful accounts to reduce receivables to their estimated net realizable value. Judgement is exercised in establishing allowances and estimates are based on the customers' payment history and liquidity. Any amounts that were previously recognized as revenue and subsequently determined to be uncollectible are charged to bad debt expense included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations. The Company had an allowance for doubtful accounts of $0 as of July 31, 2023 and October 31, 2022.

*Television Costs*

The Company capitalizes television production, participation and residual costs and amortizes them over the applicable product life cycle based upon the ratio of the current period's revenues to the estimated remaining total revenues ("Ultimate Revenues") for each production. If the Company's estimate of Ultimate Revenues decreases, amortization of film and television costs may be accelerated. Conversely, if the Company's estimate of Ultimate Revenues increases, film and television cost amortization may be slowed. For television series, Ultimate Revenues include revenues that are expected to be earned within ten years from delivery of the first episode, or if still in production, five years from delivery of the most recent episode. Advertising, marketing, general and administrative costs are expensed as incurred.

Every quarter, the Company undertakes an analysis to support its content amortization expense. Critical assumptions used in determining content amortization include: (i) determining the grouping of contents (ii) the application of an ultimate revenue forecast model based on the contracts of televisions, (iii) gathering the schedules of delivered television episodes from the relative customers, (iv) calculating current period amortization, (v) assessing the accuracy of the Company's forecasts.

The Company continually reviews its estimates and contracts and revises its assumptions if necessary. Any material adjustments from the Company's review of the amortization are applied prospectively in the period of the change for assets.

With respect to television series or other television productions intended for broadcast, the most sensitive factors affecting estimates of Ultimate Revenues are program ratings and the strength of the advertising market. Television development costs for projects that have been abandoned or have not been set for production within three years are generally written off in the relevant period.

Television costs are stated at the lower of cost less accumulated amortization or fair value. The Company evaluates impairment by the fair value of television costs at the individual level by considering expected future revenue generation, when an event or change in circumstances indicates a change in the expected revenue of the television costs or that the fair value of a film or film group may be less than unamortized costs.

IDWE seeks to enter into agreements to produce television shows. The agreements generally provide for the rights and obligations related to the agreement including timing, delivery, and payments. IDWE capitalizes the resulting production costs under the agreements in production cost inventory as payments are made or when the products or services are delivered. Amortization of television costs during the three months ended July 31, 2023, and 2022 were a recoupment of $165,000 and $282,000, respectively. Amortization of television costs during the nine months ended July 31, 2023, and 2022 were a recoupment of $487,000 and amortization of $717,000, respectively.



*Variable Interest Entities*

The Company, through its subsidiary IDWE has arrangements with seven special-purpose entities ("SPEs"). Some SPEs were formed for the sole purpose of providing production services of a television pilot and series in Canada, and other SPEs were formed for production and writing purposes. The SPEs are independently owned companies that are effectively controlled by IDWE and are parties to the related bank production financing arrangements. The Company has determined that SPEs are variable interest entities ("VIEs") and that the Company is the primary beneficiary of the SPEs activities and was the obligor on the SPEs' debt. All financial activity of the SPEs has been included in IDWE's financial statements, which are part of these condensed consolidated financial statements. IDWE is not obligated to provide any support to the VIE's and therefore, there are no additional losses foreseen. The SPEs have finished all the productions and these shows have been delivered. All outstanding loans and other obligations have been paid off and all bank accounts have been closed. The carrying amounts and classification of the VIEs' assets are presented below:

| **(in thousands)** | **July 31, 2023** | **October 31, 2022** |
| --- | --- | --- |
| Cash and cash equivalents | $ - | $ 126 |

*Revenue Recognition*

The Company applies the five-step approach as described in ASC 606, *Revenue from Contracts with Customers*, which consists of the following: (i) identifying the contract with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract and (v) recognizing revenue when (or as) the entity satisfies a performance obligation.

IDWP generates revenue primarily from the sale and licensing of comic books, graphic novels, digital content, and games through IDWP's imprints IDW, Top Shelf, and Artist's Editions. Revenue from direct market and book market sales of comic books and graphic novels is recognized, net of an allowance for estimated sales returns, at the later of the time of the On Sale Date ("OSD") or shipment by IDWP's distributors to the distributors' customers. Revenue from direct-to-consumer sales of comic books, graphic novels, and games is recognized at the later of the OSD or shipment from the printer or third-party logistics warehouse to the customer. Licensing revenues are recognized upon execution of the agreement for such rights, and other creative revenues are recognized upon completion of services rendered on a contractual basis.

IDWE generates revenue primarily from the licensing and distribution of content across various platforms and formats to audiences globally including television series and films. IDWE's revenue is recognized when the content promised in an executed contract is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the content. Revenue is also generated from serving as a co-studio and executive producer of content across various platforms and formats to audiences globally including television series and films. This revenue is recognized when the services promised in the contract are transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the services. IDWE also earns revenue from the sale of the option to purchase the media rights for IDWP properties to studios and streamers. This revenue is recognized when the goods promised in the contract are transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods.

IDWE enters into production agreements which provide for the rights and obligations related to the agreement including timing, delivery, and payments. In certain productions in which IDWE is the distributor, IDWE has the obligation to pay artist, director, and writer guilds for residuals for the creative writers of content. In addition, IDWE has the right to receive participation rights recoupment based on viewership of the cumulative production. The Company is unable to make an estimate as the recoupment is based on future viewership and therefore revenue will be recognized at a future date once the amount is known.

IDWE's production activities included some of those provided by Canadian SPEs, and some of those productions qualified for tax credits in Canada. These credits were recorded as either revenue or reductions in production cost when the SPEs become entitled to the Canadian tax credits. The Canada Revenue Agency ("CRA") has completed the audit on these productions and the related final tax refunds have been reflected in the Company's condensed consolidated statement of operations in the periods they were received.

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. A receivable is recorded when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the satisfaction of performance obligations, the Company records a contract liability on the balance sheets within deferred revenue until the performance obligations are satisfied.

In the ordinary course of business, the Company's reportable segments enter into transactions with one another. The most common types of intersegment transactions include IDWE obtaining rights to produce television series based on content created by IDWP. All intersegment transactions are eliminated in consolidation and, therefore, do not affect consolidated results.

*Revenue Recognition When Right of Return Exists*

IDWP's books market distributor offers a right of return to retail customers with no expiration date in accordance with general industry practices. IDWP generally does not offer the right of return on the sale of comic books. Sales returns allowances represent a reserve for IDWP products that may be returned due to dating, competition or other marketing matters, or certain destruction in the field. Sales returns are generally estimated and recorded based on historical sales and returns experience and current trends that are expected to continue. As of July 31, 2023 and October 31, 2022, the Company's estimated returns were $75,000 and $110,000, respectively.

*Direct Cost of Revenues*

Direct cost of revenues excludes depreciation and non-production cost amortization expense. Direct cost of revenues for IDWP consists primarily of printing expenses and costs of artists and writers. Direct cost of revenues for IDWE consists primarily of the amortization of production costs that were capitalized during the production of projects, residuals, accrued third party participation, and distribution fees directly related to revenue.



*Deferred Revenue*

The Company records deferred revenue upon invoicing for contracted commitments for products and services. Revenue is recognized on the date such product or service is provided or delivered in accordance with the contract.

Recognition of deferred revenue during the three months ended July 31, 2023, and 2022 were $46,000 and $8,000, respectively. Recognition of deferred revenue during the nine months ended July 31, 2023, and 2022 were $165,000 and $2,283,000, respectively.

*Concentration Risks*

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, and trade accounts receivable. The Company holds cash and cash equivalents at major financial institutions, which often exceed Federal Deposit Insurance Corporation's insurance limits. Historically, the Company has not experienced any losses due to such concentration of credit risk.

IDWP has three significant customers, Penguin Random House ("PRH") and Scholastic Book Fairs, and for periods prior to June 2022, Diamond Comic Distributors, Inc. ("Diamond"), that pose a concentration risk.

Revenues from PRH, IDWP's book market distributor and, beginning June 1, 2022, IDWP's direct market distributor, represented 72.7% and 52.0% of the total condensed consolidated revenue for the three months ended July 31, 2023 and 2022, respectively, and 75.4% and 35.3% of the total condensed consolidated revenue for the nine months ended July 31, 2023 and 2022, respectively. The receivable balances represented 61.6% and 63.9% of the total condensed consolidated receivables at July 31, 2023 and October 31, 2022, respectively.

Revenues from Diamond, which was IDWP's direct market distributor until June 1, 2022, represented 0% and 10.3% of the total condensed consolidated revenue for the three months ended July 31, 2023 and 2022, respectively, and 0% and 19.1% of the total condensed consolidated revenue for the nine months ended July 31, 2023 and 2022, respectively.

Revenues from Scholastic, a leading distributor of children's books, represented 15.0% and 10.5% of the total condensed consolidated revenue for the three months ended July 31, 2023 and 2022, respectively, and 9.5% and 4.6% of the total condensed consolidated revenue for the nine months ended July 31, 2023 and 2022, respectively. The receivable balances represented 13.1% and 11.9% of the total condensed consolidated receivables at July 31, 2023 and October 31, 2022, respectively.

IDWE has two significant customers, Netflix and Fifth Season (formerly Endeavor Content LLC), that have posed a concentration risk.

Revenue from Netflix, a leading streaming video subscription service, represented 0% and 0% of the total condensed consolidated revenue for the three months ended July 31, 2023 and 2022, respectively, and 0% and 16.4% of the total condensed consolidated revenue for the nine months ended July 31, 2023 and 2022, respectively.

The receivable balances from Fifth Season represented 13.1% and 17.7% of the total condensed consolidated receivables at July 31, 2023 and October 31, 2022, respectively.

*Contingencies*

The Company accrues for loss contingencies when both (a) information available prior to issuance of the consolidated financial statements indicates that it is probable that a liability had been incurred at the date of the consolidated financial statements and (b) the amount of loss can reasonably be estimated. When the Company accrues for loss contingencies and the reasonable estimate of the loss is within a range, the Company records its best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount in the range. The Company discloses an estimated possible loss or a range of loss when it is at least reasonably possible that a loss may have been incurred. Gain contingencies are not recorded until they are realized.

*Recently Issued Accounting Pronouncements Adopted*

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832),* which requires business entities to disclose information about transactions with a government that are accounted for by applying a grant or contribution model by analogy (for example, IFRS guidance in IAS 20 or guidance on contributions for not-for-profit entities in ASC 958-605). For transactions within scope, the new standard requires the disclosure of information about the nature of the transaction, including significant terms and conditions, as well as the amounts and specific financial statement line items affected by the transaction. The new guidance is effective for annual reporting periods beginning after December 15, 2021. Early application of the amendment is permitted. The Company adopted the ASU on May 1, 2022 and applied its provisions prospectively. In connection with this adoption, the Company increased its disclosures with respect to government assistance beginning in the third quarter of fiscal year 2022 (See Note 14).

*Recently Issued Accounting Standard Not Yet Adopted*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, that changes the impairment model for most financial assets and certain other instruments. For receivables, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowance for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except the losses will be recognized as allowances instead of reductions in the amortized cost of the securities. In addition, an entity will have to disclose significantly more information about allowances, credit quality indicators and past due securities. The new guidance becomes effective for fiscal years beginning after December 15, 2022, though early adoption is permitted. The new provisions will be applied as a cumulative-effect adjustment to retained earnings. The Company will adopt the new standard on November 1, 2023. The Company is evaluating the impact that the new standard will have on its condensed consolidated financial statements.



In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for goodwill impairment tests in fiscal years beginning after December 15, 2022, though early adoption is permitted. The Company will adopt this guideline prospectively for the fiscal year beginning November 1, 2023. The Company does not believe that the adoption of this new accounting guidance will have a material impact on its condensed consolidated financial statements.

**Note 2—(Loss) Earnings Per Share**

Basic (loss) earnings per share is computed by dividing net (loss) income attributable to all classes of common stockholders by the weighted average number of shares of all classes of common stock outstanding during the applicable period. Diluted (loss) earnings per share is computed in the same manner as basic (loss) earnings per share except that the number of shares is increased to include additional shares that would have been outstanding had the potentially dilutive shares been issued and reduced by the number of shares the Company could have repurchased with proceeds from issuance of potentially dilutive shares using the treasury stock method, unless the effect of such increase would be anti-dilutive. The Company excluded 939,477 and 1,163,803 shares of unvested restricted Class B common stock, options to purchase 307,127 and 970,959 shares of Class B common stock and warrants to purchase 187,579 and 187,579 shares of Class B common stock from the calculation of diluted loss per share for both the three and nine months ended July 31, 2023 and 2022, respectively, as due to the Company's net loss during each of those periods the effect would have been anti-dilutive. Therefore, basic and diluted loss per share are the same for the three and nine months ended July 31, 2023 and 2022.

**Note 3—Equity**

*Voting Privileges and Protective Features*

Each holder of outstanding shares of Class B common stock is entitled to cast the number of votes equal to one tenth of the whole shares of Class B common stock held by such holder. Each holder of outstanding shares of Class C common stock is entitled to cast the number of votes equal to three times the whole shares of Class C common stock held by such holder. Each series of preferred stock, if any, are designated and issued, will have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Company's Board of Directors, which may include, among others, dividends, voting rights, and liquidation preferences.

*Warrants*

Detailed below are outstanding warrants issued to the Company's Chairman associated with the two loans made by the Chairman to the Company, which loans have subsequently been repaid. The exercise price and expiration of these warrants were amended on March 29, 2022 and are currently as set forth in the table below. The warrants to purchase 98,336 shares had an original exercise price of $26.44 per share and were set to expire on March 30, 2022. The warrants to purchase 89,243 shares had an original exercise price of $42.02 per share. No additional compensation cost was incurred from the modification.

| Number of Shares | Type of Share | Exercise Price | Expiration |
|---|---|---|---|
| 98,336 | Class B common stock | $ 1.94 | August 21, 2023 |
| 89,243 | Class B common stock | $ 1.94 | August 21, 2023 |

**Note 4—Stock Based Compensation**

*2019 Stock Option and Incentive Plan*

On March 14, 2019, the Company's Board of Directors adopted the 2019 IDW Stock Option and Incentive Plan ("2019 Incentive Plan") to provide incentives to executive officers, employees, directors, and consultants of the Company and/or its subsidiaries. The Plan, including amendments approved through April 5, 2022, provides for the issuance of up to 2,550,000 shares of Class B Common stock. Options are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those options generally vest based on 3 years of continuous service and have 10-year contractual terms. As of July 31, 2023, 819,943 shares remained available to be awarded under the 2019 Incentive Plan.

The following table summarizes stock option activity during the nine months ended July 31, 2023.

| | Number of Options | Weighted Average | Weighted Average Remaining | Aggregate Intrinsic Value |
|---|---|---|---|---|

| | | Exercise Price | Contractual Term (in years) | (in thousands) |
|---|---|---|---|---|
| Outstanding at October 31, 2022 | 996,357 | $ 3.13 | 8.88 | $ - |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Cancelled / Forfeited | (689,230) | 2.88 | - | - |
| **Outstanding at July 31, 2023** | **307,127** | **$ 3.70** | **3.78** | **$ -** |
| **Exercisable at July 31, 2023** | **303,793** | **$ 3.70** | **1.98** | **$ -** |

The Company's closing share price of $0.527 on July 31, 2023, and $1.32 on October 31, 2022 were used to determine the Aggregate Intrinsic Value.

On February 1, 2023, unvested options to purchase 6,666 shares of the Company's Class B common stock were cancelled in connection with the termination of an employee of the Company.



On February 10, 2023, unvested options to purchase 486,166 shares of the Company's Class B common stock were cancelled in connection with the termination of the Company's Vice Chairman.

On February 10, 2023, vested options to purchase 100,000 shares of the Company's Class B common stock expired and were thus forfeited in connection with the August 28, 2022 termination of the Company's then CEO.

On April 27, 2023, unvested options to purchase 93,063 shares of the Company's Class B common stock were cancelled in connection with a reduction in force associated with changes in leadership positions and other team members.

On July 31, 2023, unvested options to purchase 3,333 shares of the Company's Class B common stock were cancelled in connection with the termination of an employee of the Company.

At July 31, 2023, unamortized stock compensation for stock options was $4,000, which is expected to be recognized over the next year.

*Restricted Stock*

The fair value of restricted shares of the Company's Class B common stock is determined based on the closing price of the Company's Class B common stock on the grant date. Share awards generally vest on a graded basis over three years of service.

A summary of the status of the Company's grants of restricted shares of Class B common stock is presented below:

| | Number of Non-vested Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at October 31, 2022 | 1,154,136 | $ 1.93 |
| Granted | 156,283 | 0.88 |
| Vested | (370,942) | 1.66 |
| Cancelled / Forfeited | - | - |

| | | |
|---|---|---|
| **Non-vested shares at July 31, 2023** | **939,477** | **$ 1.86** |

On November 16, 2022, 26,500 restricted shares of the Company's Class B common stock were issued to non-employee consultants who perform services for the Company with a vesting period of 3 years.

On January 5, 2023, 21,783 restricted shares of the Company's Class B common stock were issued to members of the Company's Board of Directors which vested immediately upon grant.

On March 30, 2023, 108,000 restricted shares of the Company's Class B common stock were issued to members of the Company's Board of Directors which vested immediately upon grant.

At July 31, 2023, there was $1,555,000 of total unrecognized compensation cost related to non-vested restricted shares stock-based compensation arrangements, which is expected to be recognized over the next 4 years.

Non-cash compensation for stock options and restricted stock issued to employees and non-employees included in selling, general and administrative expenses was $124,000 and $237,000 during the three months ended July 31, 2023 and 2022, respectively, and $568,000 and $546,000 during the nine months ended July 31, 2023 and 2022, respectively.

**Note 5—Business Segment Information**

The Company has the following reportable business segments: IDWP and IDWE.

The Company's reportable segments are distinguished by types of service, customers and methods used to provide their services. The operating results of these business segments are regularly reviewed by the Company's chief operating decision maker. The Company evaluates the performance of its business segments based primarily on operating income. The accounting policies of the segments are the same as the accounting policies of the Company as a whole.

Operating results and assets for the business segments of the Company are as follows:

| **(in thousands)** | **IDWP** | **IDWE[(a)]** | **IDWMH** (unallocated overhead) | **Total** |
|---|---|---|---|---|
| **Three months ended July 31, 2023** | | | | |
| Revenues | $ 6,253 | $ 3 | $ - | **$ 6,256** |
| Loss from operations | (1,281) | (21) | (211) | **(1,513)** |
| Net loss | (1,281) | (14) | (203) | **(1,498)** |
| **Three months ended July 31, 2022** | | | | |
| Revenues | $ 6,553 | $ 1,159 | $ - | **$ 7,712** |
| Income (loss) from operations | (584) | 48 | (232) | **(768)** |
| Net income (loss) | (595) | 48 | (290) | **(837)** |



| **(in thousands)** | **IDWP** | **IDWE[(a)]** | **IDWMH** (unallocated overhead) | **Total** |
|---|---|---|---|---|
| **Nine months ended July 31, 2023** | | | | |
| Revenues | $ 18,272 | $ 64 | $ - | **$ 18,336** |
| Loss from operations | (1,823) | (874) | (2,723) | **(5,420)** |
| Net loss | (1,806) | (902) | (2,716) | **(5,424)** |

| Nine months ended July 31, 2022 | | | | |
|---|---|---|---|---|
| Revenues | $ 20,136 | $ 5,479 | $ - | **$ 25,615** |
| Income (loss) from operations | (339) | 343 | (1,032) | **(1,028)** |
| Net income (loss) | (350) | 349 | (1,100) | **(1,101)** |

(a) IDWE includes Thought Bubble LLC and Word Balloon LLC which consist of only television costs.

*Total Assets*

At July 31, 2023 total assets were $15,317,000 at IDWP, $2,756,000 at IDWE, and $3,928,000 at IDWMH.

At October 31, 2022 total assets were $13,650,000 at IDWP, $3,663,000 at IDWE, and $10,628,000 at IDWMH.

**Note 6—Trade Accounts Receivable, net and Deferred Revenue**

Trade accounts receivable consists of the following:

| (in thousands) | July 31, 2023 | October 31, 2022 |
|---|---|---|
| Trade accounts receivable | $ 6,673 | $ 6,558 |
| Less allowance for sales returns | (75) | (110) |
| **Trade accounts receivable, net** | **$ 6,598** | **$ 6,448** |

Changes in deferred revenue consist of the following:

| (in thousands) | Nine months ended July 31, 2023 |
|---|---|
| Beginning Balance at October 31, 2022 | $ - |
| Performance obligations satisfied during the period that were included in the deferred revenue balance at the beginning of the year | - |
| Increases due to invoicing prior to satisfaction of performance obligations | 54 |
| **Ending Balance at July 31, 2023** | **$ 54** |

Contract liabilities are recorded as deferred revenue when customer payments are received in advance of the Company meeting all the revenue recognition criteria under ASC 606. Generally, the remaining performance obligations will be satisfied within twelve months after prepayment. During the nine months ended July 31, 2023, significant changes in the deferred revenue balances were the result of net cash received for comic books prior to their on-sale date.

**Note 7— Inventory**

Inventory consists of the following:

| (in thousands) | July 31, 2023 | October 31, 2022 |
|---|---|---|
| Work in progress | $ 840 | $ 454 |
| Finished goods | 4,424 | 3,831 |
| **Total** | **$ 5,264** | **$ 4,285** |

**Note 8—Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consist of the following:

| (in thousands) | July 31, 2023 | October 31, 2022 |
| --- | --- | --- |
| Royalties and deposits | $ 2,042 | $ 1,242 |
| Insurance | 122 | 672 |
| Games printing | 91 | 104 |
| Employer retention credit receivable (see Note 14) | 315 | 436 |
| Tradeshows | 7 | - |
| Other prepaids | 163 | 260 |
| **Total** | **$ 2,741** | **$ 2,714** |



**Note 9—Property and Equipment, net**

Property and equipment consist of the following:

| (in thousands) | July 31, 2023 | October 31, 2022 |
| --- | --- | --- |
| Equipment | $ 398 | $ 521 |
| Furniture and Fixtures | 305 | 310 |
| Leasehold improvements | 193 | 169 |
| Computer software | - | 24 |
| Total | 896 | 1,024 |
| Less accumulated depreciation | (295) | (299) |
| **Property and equipment, net** | **$ 601** | **$ 725** |

Depreciation expense totaled $39,000 and $39,000 for the three months ended July 31, 2023 and 2022, respectively, and $123,000 and $145,000 for the nine months ended July 31, 2023 and 2022, respectively. During the three and nine months ended July 31, 2023, the Company disposed of computers, computer software, furniture, and other equipment taken out of service, resulting in the removal of $0 and $176,000, respectively, from gross property and equipment, $0 and $127,000, respectively, from accumulated depreciation and a loss on the disposal of $0 and $49,000, respectively, recorded in other expenses in the condensed consolidated statement of operations.

**Note 10—Intangible Assets, net**

Intangible assets consist of the following:

| (in thousands) | Amortization Period | July 31, 2023 | October 31, 2022 |
| --- | --- | --- | --- |
| Licensing contracts | 7 years | $ 893 | $ 893 |
| Software | 3-5 years | 532 | 769 |
| Total amortized intangible assets | | 1,425 | 1,662 |
| Database development costs | | 44 | 235 |
| Total in-process intangible assets | | 44 | 235 |
| Less accumulated amortization | | (1,044) | (1,038) |
| **Intangible assets, net** | | **$ 425** | **$ 859** |

Amortization expense totaled $571,000 and $35,000 for the three months ended July 31, 2023 and 2022, respectively, and $775,000 and $113,000 for the nine months ended July 31, 2023 and 2022, respectively.

During the three months ended July 31, 2023, the Company took its previous website out of service, resulting in the removal of $769,000 from gross software, $223,000 from accumulated amortization and a loss on the disposal of $546,000 recorded in depreciation and amortization expense in the condensed consolidated statement of operations.

**Note 11—Television costs, net and Amortization**

Television costs consist of the following:

| **(in thousands)** | **July 31, 2023** | **October 31, 2022** |
|---|---|---|
| In development | $ 1,593 | $ 1,486 |
| In production | - | - |
| **Total** | **$ 1,593** | **$ 1,486** |

| (in thousands) | **Three Months Ended July 31, 2023** | **Three Months Ended July 31, 2022** | **Nine Months Ended July 31, 2023** | **Nine Months Ended July 31, 2022** |
|---|---|---|---|---|
| Television cost (recoupment) amortization | $ (165) | $ (282) | $ (487) | $ 5,341 |
| Television cost impairments | 21 | 87 | 62 | 2,065 |
| Total | **$ (144)** | **$ (195)** | **$ (425)** | **$ 7,406** |

During the three and nine months ended July 31, 2023, the Company recouped $165,000 and $487,000, respectively, of costs previously expensed. Amortization expense for television costs is expected to be $0 over the remaining three months of fiscal 2023. As a result of management's period assessment of in development projects, $21,000 and $41,000 of write-offs were recorded during the three and nine months ended July 31, 2023, respectively.



**Note 12—Accrued Expenses**

Accrued expenses consist of the following:

| **(in thousands)** | **July 31, 2023** | **October 31, 2022** |
|---|---|---|
| Royalties | $ 531 | $ 813 |
| Residuals | 89 | 65 |
| Payroll, bonus, accrued vacation and payroll taxes | 1,156 | 1,623 |
| Executive producing fees | - | 325 |
| Printing | - | 173 |
| Other | 101 | 354 |
| **Total** | **$ 1,877** | **$ 3,353** |

The accrued payroll balance at July 31, 2023 includes $206,000 of severance related to a reduction in force associated with changes in leadership positions. The Company expects to make these remaining severance payments in calendar year 2023. The accrued payroll balance at July 31, 2023 and October 31, 2022 also includes $360,000 and $596,000, respectively of severance related to termination of the Company's former CEO on August 28, 2022. The Company expects to make these remaining severance payments through August 2024.

**Note 13—Commitments and Contingencies**

*Lease Commitments*

The Company has various lease agreements with remaining terms up to 4 years, including leases of office space and equipment. Some leases include options to purchase, terminate or extend for one or more years. These extension options are included in the lease term when it is reasonably certain that the option will be exercised.

The assets and liabilities from operating leases are recognized at the commencement date based on the present value of remaining lease payments over the lease term using the Company's secured incremental borrowing rates or implicit rates, when readily determinable. Short-term leases, which have an initial term of 12 months or less, are not recorded on the balance sheet.

The Company's operating leases do not provide an implicit rate that can readily be determined. Therefore, the Company estimated its incremental borrowing rate to discount the lease payments based on information available at either the implementation date of Topic 842 or at lease commencement for leases entered thereafter.

The Company's weighted-average remaining lease term relating to its operating leases is 3.4 years, with a weighted-average discount rate of 5.74% as of July 31, 2023.

The Company recognized lease expense for its operating leases of $91,000 and $87,000 for the three months ended July 31, 2023 and 2022, respectively, and $263,000 and $338,000 for the nine months ended July 31, 2023 and 2022, respectively. The cash paid under operating leases was $85,000 and $80,000 for the three months ended July 31, 2023 and 2022, respectively, and $254,000 and $394,000 for the nine months ended July 31, 2023 and 2022, respectively.

At July 31, 2023, the Company had right-of-use-assets related to operating leases of $2,028,000 and accumulated amortization related to operating leases of $1,081,000, both of which are included as a component of operating lease right-of-use assets. At October 31, 2022, the Company had a right-of-use-asset related to operating leases of $2,028,000 and accumulated amortization related to operating leases of $871,000.

As of July 31, 2023, future minimum lease payments required under operating leases are as follows:

| Maturity of Operating Lease Obligations (in thousands) | Total |
|---|---|
| Fiscal years ending October 31: | |
| Rest of 2023 | $ 86 |
| 2024 | 343 |
| 2025 | 320 |
| 2026 | 191 |
| Thereafter | 146 |
| Total minimum lease payments | 1,086 |
| Less: imputed interest | (102) |
| **Present value of future minimum lease payments** | **$ 984** |

*Gain Contingency*

On February 15, 2021, the Company consummated the sale of CTM Media Group ("CTM") to an assignee of Howard S. Jonas, the Company's Chairman. CTM was previously reported as a discontinued operation in the Company's condensed consolidated financial statements. Per the sale agreement, the only remaining clause states that the Company is entitled to a contingent payment if CTM is sold within 36 months of the sale for more than $4.5 million.

**Note 14—Employee Retention Credit**

The Coronavirus Aid, Relief and Economic Securities Act ("CARES Act") provides for an employee retention credit ("ERC") that is a refundable tax credit against certain employer taxes. On December 27, 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020, expanded certain benefits made available under the CARES Act, including modifying and extending the ERC. As modified, the ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar 2021 for a maximum credit per employee of $7,000 per employee for each calendar quarter through December 31, 2021.

The Company qualified for the tax credit under the CARES Act as follows:

1. During the three months ended April 30, 2023, the Company recognized an ERC for qualified wages paid between October 1, 2020 and December 31, 2020 of $406,000 (the "2020 ERC") as an offset to payroll tax expenses within selling, general, and administrative expenses in the Company's condensed consolidated statement of operations. The Company received $25,000 and $66,000 of the refund in cash in the second and third quarter of fiscal 2023, respectively. As of July 31, 2023, the Company has a $315,000 receivable balance for the unsettled 2020 ERC within prepaid and other current assets on our condensed consolidated balance sheet. On August 18, 2023, the Company received the remaining $315,000 ERC refund.

2. During the fiscal year ended October 31, 2022, the Company recognized an ERC for qualified wages paid between January 1, 2021 and March 31, 2021 of $564,000 (the "2021 ERC") as an offset to payroll tax expenses within selling, general and administrative expenses in the Company's condensed consolidated statements of operations. The Company received $128,000 of the refund in cash in the third quarter of fiscal 2022. As of October 31, 2022, the Company had a $436,000 receivable balance for the unsettled 2021 ERC within prepaid and other current assets on our condensed consolidated balance sheet. In the first fiscal quarter of 2023, the Company received the $436,000 balance in cash.

As discussed above, we adopted ASU 2021-10 effective May 1, 2023. We accounted for the ERCs by analogy to International Accounting Standards ("IAS") 20, Accounting for Government Grants and Disclosure of Government Assistance, of International Financial Reporting Standards (IFRS). Under an IAS 20 analogy, a business entity would recognize the credit on a systematic basis over the periods in which the entity recognizes the payroll expenses for which the grant/ tax credit is intended to compensate when there is reasonable assurance, and it is probable that the entity will comply with any conditions attached to the grant and the grant/tax credit will be received.

**Note 15—Income Taxes**

The Company recorded no income tax expense for the three and nine months ended July 31, 2023 and 2022 because the estimated annual effective tax rate was zero. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the ability to use tax credits and net operating loss carry forwards, and available tax planning alternatives.

As of July 31, 2023, and October 31, 2022, the Company provided a full valuation allowance against its net deferred tax assets since the Company believes it is more likely than not that its deferred tax assets will not be realized.



**Item 4 Management's discussion and analysis or plan of operation.**

The following information should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the associated notes thereto of this report, and the audited consolidated financial statements and the related notes thereto and our Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022, which was filed with the U.S. Securities and Exchange Commission ("SEC") on January 19, 2023 (the "2022 Form 10-K").

As used below, unless the context otherwise requires, the terms "the Company," "we," "us," and "our" refer to IDW Media Holdings, Inc., a Delaware corporation, and our subsidiaries.

**Forward-Looking Statements**

This report contains forward-looking statements, including statements that contain the words "believes," "anticipates," "expects," "plans," "intends," and similar words and phrases. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected in any forward-looking statement. In addition to the factors specifically noted in the forward-looking statements, other important factors, risks and uncertainties that could result in those differences include, but are not limited to, those discussed in the 2022 Form 10-K. The forward-looking statements are made as of the date of this report and we assume no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult all of the information set forth in this report and the other information set forth from time to time in our reports filed with the SEC or the OTC Markets.

**OVERVIEW**

We were incorporated in the State of Delaware in May 2009.

In 2009, IDT Corporation, our former parent corporation, completed a tax-free spinoff of the Company through a pro rata distribution of our common stock to IDT's stockholders.

Our Class B common stock is quoted on the OTCQB Venture Market on the OTC Markets.

Our principal businesses include:

- IDW Publishing ("IDWP") creates comic books, graphic novels and digital content through its imprints IDW, Top Shelf Productions and Artist's Editions; and

- IDW Entertainment ("IDWE") is a production company and studio that develops, produces and distributes content based on IDWP's original, copyrighted intellectual property ("IP"), published in the form of comic books, graphic novels and any other forms of print publication, for a variety of formats including film and television.

IDWP is an award-winning publisher of comic books, original graphic novels, and art books. Founded in 1999, IDWP has a long tradition of supporting original, powerful creator-driven titles as well as creating content from licensed franchises.

IDWE leverages IDWP original IP into television series, features, and other forms of media by developing and producing original content. IDWE maintains a development slate of properties based on IDWP properties for the adult series/features marketplace and the kids, family, and animation spaces.

**COVID-19: Overview and Long-Lasting Impacts**

- IDWP: Issues primarily related to the COVID-19 pandemic continue to impact international printing and shipping. Costs began to level off as of the end of fiscal 2022 and the strain on the logistics network is easing, but prices are still considerably higher than the pre-pandemic levels due changing macro-economic conditions such as inflation.

- IDWE: Despite less impact from COVID-19 in recent periods, IDWE continues its program to develop, package and pitch from its library, adapting to a new marketplace that exists as a hybrid in office/remote model.



We qualified for certain tax credits under the Coronavirus Aid, Relief and Economic Securities Act ("CARES Act"). During the second quarter of fiscal 2023, we recognized an employee retention credit ("ERC") for qualified wages paid between October 1, 2020 and December 31, 2020 of $406,000 as an offset to payroll tax expenses within selling, general and administrative expenses in our consolidated statements of operations. We received the full credit of $406,000. During fiscal 2022, we recognized an ERC for qualified wages paid between January 1, 2021 and March 31, 2021 of $564,000 as an offset to payroll tax expenses within selling, general and administrative expenses in our consolidated statements of operations. We received the full credit of $564,000.

**Business Description**

**IDW Publishing**

There are two primary sources of the content that IDWP develops, publishes, and exploits across a range of distribution channels:

- Third-Party content that has already been successfully exploited in other media with partners such as Paramount (*Teenage Mutant Ninja Turtles, Star Trek*), Hasbro (*My Little Pony, Dungeons & Dragons*), Sega (*Sonic*) and with companies including DC Comics and Marvel on our Artist's Editions ("Licensed Content").

- Original, creator-owned material that marks its debut to the consuming public via IDWP's published products, inclusive of IDW Originals and Top Shelf ("Creator Content"); and

IDWP's largest product group is the publication of comic book and trade paperback products. Its comics and graphic novels are primarily distributed through four channels: (i) to comic book specialty stores (the "direct market"); (ii) to traditional retail outlets, including bookstores and mass market stores, on a returnable basis (the "book market"); and (iii) direct-to-consumer sales sale through the Company's website, and (iv) to E-book distributors ("digital publishers"). IDWP's publications are widely available digitally through popular distributors such as Comixology, Amazon, Apple iBooks, Google Play, Hoopla, Overdrive, and via IDWP's own webstore at idwpublishing.com. Through the direct market and book market, IDWP, including its imprints sold over 3.9 million units in fiscal 2022 and is regularly recognized as one of the nation's largest publishers in the comics & graphic novels category.

IDWP's focus is to expand and market its library of titles from both Creator Content and Licensed Content. IDWP works synergistically with IDWE to develop new titles and to support existing titles.

IDWP is an award-winning publisher of comic books, original graphic novels, and art books. Founded in 1999, IDWP has a long tradition of supporting original, powerful creator-driven titles. In 2002, IDWP published *30 Days of Night* by Steve Niles and Ben Templesmith followed by other horror titles that helped kickstart a resurgence in horror-comic publishing across the industry. Since then, IDWP has significantly diversified its publications. Joe Hill and Gabriel Rodríguez's *Locke & Key*, Jonathan Maberry's *V Wars*, Beau Smith's *Wynonna Earp*, Alan Robert's *The Beauty of Horror* adult coloring books, and Darwyn Cooke's graphic novel adaptations of Richard Stark's *Parker* novels are just a few of the hundreds of award-winning titles published since its inception.

IDWP owns Top Shelf Productions, an award-winning critically acclaimed publisher of graphic novels. Top Shelf Productions is renowned for publishing works of literary significance including the #1 *New York Times* and *Washington Post* bestselling trilogy, *March*, by Congressman John Lewis, Andrew Aydin, and Nate Powell. *March* is the only graphic novel to have won the National Book Award and is one of the most taught graphic novels in schools. In July 2019, Top Shelf Productions released George Takei's graphic memoir, *They Called Us*

*Enemy*, which debuted at #2 on the *New York Times* Paperback Nonfiction Best Sellers list and as a #1 bestseller on Amazon. Both titles are now perennial bestsellers and considered two of the finest non-fiction graphic novels. Other iconic Top Shelf Productions titles include Kim Dwinell's *Surfside Girls*, Jeff Lemire's *Essex County* and *The Underwater Welder*, Hannah Templer's *Cosmoknights*, and Alan Moore and Eddie Campbell's *From Hell*.

In addition to its core of creator-driven franchises, IDWP has also partnered with the owners of major licensed brands to publish many successful licensed titles, including Paramount Global's *Teenage Mutant Ninja Turtles* and *Star Trek;* Hasbro's *Dungeons & Dragons,* and *My Little Pony*; Sega's *Sonic The Hedgehog*; and Toho's *Godzilla*. These licensed titles bring with them diverse built-in audiences and build cache and retailer support for IDWP. With licensed franchises, IDWP's strategy is to focus not only on licenses that have eager, built-in fan followings, but also ongoing licensor support through other channels, such as toys, animation, and film. This strategy enables IDWP to expand its audience reach and to pursue sub-license opportunities with foreign publishers. IDWP also collaborates with other comic book publishers to co-publish certain titles, including *Batman* vs. *Teenage Mutant Ninja Turtles* and *Locke & Key/The Sandman Universe: Hell & Gone* (with DC Comics), *Rick & Morty vs. Dungeons & Dragons* (with Oni Press, Inc.) and *Godzilla vs. Power Rangers* (with Boom Studios).

IDW Originals, launched in July 2022, is a line of original comics and graphic novels from a diverse lineup of writers and artists creating content across all genres and for all age groups. IDW Originals works with top-tier talent including *New York Times* bestselling writers like Scott Snyder on *Dark Spaces: Wildfire*, Stephen Graham Jones on *Earthdivers*, and G. Willow Wilson on *The Hunger and the Dusk*, in addition to up-and-coming talent with the goal of creating the bestsellers of tomorrow. IDW Originals is also focused on creating IP that can be exploited across multiple media platforms.



IDWP is also home to Artist's Editions, which publishes oversized deluxe hardcovers featuring scans of original art printed at the same size they were drawn with the distinctive creative nuances that make original art unique. Some of the standout Artist's Editions titles include Jim Lee's *X-Men,* Mike Mignola's *Hellboy*, Todd McFarlane's *Spider-Man,* David Mazzucchelli's *Daredevil Born Again* and Dave Stevens' *The Rocketeer*.

Many of IDWP's titles are available worldwide through foreign licensing with 642 titles available in approximately 62 territories in approximately 24 languages. In 2020, IDW launched a new initiative to release key titles as Spanish-language graphic novels in the North American market with the release of Spanish-language editions of *They Called Us Enemy*, *Red Panda* & *Moon Bear*, *Locke & Key* and *Sonic the Hedgehog*.

Penguin Random House ("PRH") serves as the exclusive worldwide distributor for all IDWP products. Since June 2022, PRH has served as the exclusive worldwide multi-year sales and distributor for IDWP's newly published and backlist comic book periodicals, trade collections, and graphic novels to the direct market comic shops.

Prior to June 2022, Diamond Comic Distributors, Inc. ("Diamond") served as IDWP's distributor to the direct market, worldwide.

In 2014, IDWP launched IDW Games to develop and publish card, board, and tabletop games. Similar to IDWP's book content, IDW Games offered a mix of popular licensed titles such as *Dragon Ball Z* and *Batman the Animated Series*, as well as creator developed strategic hobby games, such as *Towers of Arkhanos* and *Tonari*. IDW Games' products were sold to distributors worldwide and are available through retailers such as GameStop, Barnes & Noble, and Amazon, independent games, and comics stores, as well as the direct-to-consumer channel through its website and marketing campaigns. In calendar 2021, the Company wound down IDW Games and, at present, IDW Games is only backfilling final orders and reproducing select existing products. IDW Games may create and sell new games in the future.

To further expand and build creator-owned properties beyond publishing, IDWP works with IDWE, as well as other outside partners, to bring Creator Content franchises to television and film through licensing arrangements.

To expand its business and compete with other industry participants, IDWP continues to focus on launching new Creator Content and Licensed Content. IDWP is expanding the reach of existing and new products through the development of specialty, library, and education markets; increased direct-to-consumer initiatives; and broadening the reach of Creator Content series through licensing opportunities.

IDWP's revenues represented 99.8% and 85.0% of our condensed consolidated revenues in the three months ended July 31, 2023 and 2022, respectively and 99.6% and 78.6% in the nine months ended July 31, 2023 and 2022, respectively.

**IDW Entertainment**

IDWE develops, produces and distributes content based on IDWP's original, copyrighted IP for a variety of formats including film and television.

IDWE was formed on September 20, 2013 to leverage IDWP properties into television series, features, and other forms of media by developing and producing original content. IDWE maintains a development slate of properties based on IDWP properties for the adult series/features marketplace and the kids, family, and animation spaces.

IDWE has developed and/or produced a number of series for television:

- *Locke & Key* premiered on Netflix on February 7, 2020. The show is based on the critically acclaimed graphic novels of the same name of Joe Hill and Gabriel Rodriguez published by IDWP. Season two premiered October 22, 2021, landing in the Top 10 on Netflix's global TV charts in over 81 countries, and season three premiered August 10, 2022 on Netflix.

- *Surfside Girls* is based on the Top Shelf graphic novel of the same name and premiered on August 19, 2022 on Apple TV+. All ten episodes of the live action kids' series premiered in over 80 countries worldwide on the Apple TV platform.

Some historical series include:

- *Wynonna Earp* which aired four seasons on SyFy from 2016 to 2021. The show was created by Emily Andras and starred Melanie Scrofano and was based on the IDWP comics of Beau Smith of the same name. Cineflix Studios is the co-producer and global distributor for the series.

- *V Wars* debuted on Netflix on December 5, 2019. The 10-episode vampire thriller stars Ian Somerhalder and was produced by High Park Entertainment. The series was based upon Jonathan Maberry's IDWP comic book series of the same name. Some streaming rights reverted back to IDWE in 2022; as a result, we will be exploring opportunities to monetize the past season and potential opportunities to continue the story with a new partner.

- *October Faction* premiered on Netflix on January 23, 2020. The 10-episode show was based on the IDWP comics of Steve Niles and Damien Worm of the same name and was adapted by showrunner Damian Kindler and starred Tamara Taylor and J.C. MacKenzie. It was also produced by High Park Entertainment.



In the past 18 months, IDWE announced a slate of titles with optioned deals with major studios, streamers, and distributors. As a part of these deals, IDWE will work closely to develop these properties as narrative television series, with the ultimate goal of securing a greenlight to production. These titles include:

- *Dark Spaces* with Universal Cable Productions ("UCP")

- *Earthdivers* with 20th Television Studios and Hulu
- *Ballad for Sophie* with Universal Television International
- *The Delicacy* with Warner Bros. Television Studios
- *Brutal Nature* with leading Mexico-based animation studio Anima Studios
- *A Radical Shift of Gravity* with award winning film producer Todd Lieberman/Hidden Pictures and Lionsgate

On November 30, 2022, IDWE announced six additional development deals with writing & producing talent, which included properties *Bacchus, Dragon Puncher & Spoony, Korgi, Lodger, Relic of the Dragon and Satellite Falling.* IDWE attached such talent as Will Davies (*Lyle, Lyle, Crocodile*), Holly Huckins (*Recess, Angela Anaconda*), Aury Wallington (*Veronica Mars, Heroes, Gravity Falls*), Max & Adam Reid (*Aeon Flux*), Patricia Riggen, Bryan Q. Miller (*Shadowhunters*), Will Pascoe (*Orphan Black*) and Jude Weng (*Finding Ohana*).

On February 14, 2023, IDWE announced a second 360-development deal with Raffaella Delle Donne (*Flesh & Blood*), Marc Dey (*Ninja Princess*) and Tshepo Moche (*Kiya & the Kimoja Heroes*) called *Team Spirit*. IDWP will release an original graphic novel for kids while IDWE will develop an animated series for kids based on the property.

*Business Model*

While in the past, IDWE focused on television development and financing production opportunities, a broadening of our strategic goals has evolved to focus on lower risk investments as well as developing IP for feature film and podcast opportunities. As was the case with *Surfside Girls*, IDWE provided co-studio services which enabled us to utilize our studio partners' infrastructure to support the needs of productions while reducing our own risk. We have also diversified our position by acting as non-writing executive producers on current and future projects which allows us to secure fees for our services while minimizing costs.

The path to greenlighting a project can take many routes, but the two most common include internal development and partnering with established studios and streamers. For internal development, IDWE partners with established television and film talent to develop pitches based on our IP, then takes those pitches to buyers. Buyers who want to partner on IDWE's pitches will enter into a deal to commission a pilot script or feature screenplay, which will be the determining factor of a series or feature film being greenlit. In the second scenario, IDWE may option what's called clean IP (projects without any attachments or development with talent) to a buyer/production partner and develop/package a series or feature. While this scenario may require more work between IDWE and the buyer to develop a concept for adaptation, the advantage is that IDWE is doing this in tandem with the buyer or platform – guaranteeing that what is developed is strategically what they are looking for.

Due to the ongoing Writers Guild of America ("WGA") strike, many projects in the domestic entertainment industry are on pause. Approximately half of IDWE's current projects are in the animation and international entertainment industry and are therefore not directly impacted by the strike.

IDWE's revenues represented 0.2% and 15.0% of our consolidated revenues in the three months ended July 31, 2023 and 2022, respectively and 0.4% and 27.3% in the nine months ended July 31, 2023 and 2022, respectively.

**Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities. Critical accounting policies are those that require application of management's most subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Our critical accounting policies include those related to the valuation of long-lived assets including intangible assets with finite useful lives and ultimate revenues for television costs. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. See Note 1 to the consolidated financial statements included in this interim report.



**Results of Operations**

We evaluate the performance of our operating business segments based primarily on (loss) income from operations. Accordingly, the income and expense line items below loss from operations are only included in our discussion of the consolidated results of operations.

**IDWP**

| **(in thousands)**<br>**Three months ended July 31,** | **2023** | **2022** | **Change**<br>**$** | <br>**%** |
|---|---|---|---|---|
| Revenues | $ 6,253 | $ 6,553 | $ (300) | (4.6)% |
| Direct cost of revenues | 3,879 | 3,648 | (231) | (6.3)% |
| Selling, general and administrative | 3,063 | 3,425 | 362 | 10.6% |
| Depreciation and amortization | 592 | 64 | (528) | (825.0)% |
| Loss from operations | **$ (1,281)** | **$ (584)** | **$ (697)** | **(119.3)%** |

| **(in thousands)**<br>**Nine months ended July 31,** | **2023** | **2022** | **Change**<br>**$** | <br>**%** |
|---|---|---|---|---|
| Revenues | $ 18,272 | $ 20,136 | $ (1,864) | (9.3)% |
| Direct cost of revenues | 10,351 | 10,512 | 161 | 1.5% |
| Selling, general and administrative | 8,903 | 9,738 | 832 | 8.5% |
| Depreciation and amortization | 838 | 225 | (613) | (272.4)% |
| (Loss) income from operations | **$ (1,823)** | **$ (339)** | **$ (1,484)** | **(437.8)%** |

*Revenues*. IDWP revenues decreased by $300,000 in the three months ended July 31, 2023, compared to the three months ended July 31, 2022, primarily due to a decrease in book market publishing revenue of $1,167,000 driven by fewer releases during the current period than in the year ago period, a decrease in licensing and royalty revenue of $129,000, and a decrease in digital sales of $66,000, partially offset by an increase in comic market publishing revenue of $932,000 driven by strong *Teenage Mutant Ninja Turtles: Lost Years*, a decrease in sales returns and discounts on book sales of $96,000, and an increase in direct-to-consumer sales of $34,000. Sales returns improved compared to the prior period due to targeted incentives with accounts to reduce return rates and localization of inventory management at Barnes & Noble.

Revenues decreased by $1,864,000 in the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022, primarily due to a decrease in games revenue of $2,051,000 driven by fulfillment of the direct-to-consumer campaign for *Batman* Adventures in the fiscal 2022 period, a decrease in direct market publishing revenue of $489,000, a decrease in direct-to-consumer revenue of $85,000, and a decrease in digital sales of $48,000, partially offset by an increase in book market publishing revenue of $375,000 driven by strong *Teenage Mutant Ninja Turtles: The Last Ronin* hard cover sales, a decrease in sales returns and discounts on book sales of $293,000, and an increase in retailer exclusive revenue of $141,000. Sales returns improved compared to the prior period due to targeted incentives with accounts to reduce return rates and localization of inventory management at Barnes & Noble.

Effective January 1, 2023, our licenses for *Transformers* and *GI Joe* titles were terminated. The cancellation of the licenses for *Transformers* and *GI Joe* have decreased revenues by approximately $1.2 million in fiscal year 2023. IDWP plans to mitigate the loss of revenue by enhancing our other key licensed brands through new initiatives for

*Star Trek, Godzilla, Dungeons & Dragons, and My Little Pony* and an expansion of *Teenage Mutant Ninja Turtles: The Last Ronin*. These efforts have begun to offset any material impacts and we expect to continue to substantially offset any material impact on our gross margin from the loss of the licensed titles.

*Direct cost of revenues.* IDWP direct cost of revenues increased by $231,000 in the three months ended July 31, 2023, compared to the three months ended July 31, 2022, primarily due to an increase in publishing printing costs of $339,000, an increase in creative costs of $82,000, offset by a decrease in royalty expenses of $190,000. Royalty expense as a percentage of sales is dependent on product and title mix as different revenue streams and titles have different royalty rates.



Direct cost of revenues decreased by $161,000 in the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022, primarily due to a decrease in printing expenses and creative costs for IDW Games of $772,000 which corresponds to the decrease in revenue from games noted above, and a decrease royalty expense of $406,000, partially offset by an increase in publishing printing costs of $693,000, an increase in publishing creative costs of $324,000. Royalty expense as a percentage of sales is dependent on product and title mix as different revenue streams and titles have different royalty rates.

*Gross Margin.* IDWP gross margin decreased to 38.0% for the three months ended July 31, 2023, compared to 44.3% for the three months ended July 31, 2022. Gross margin decreased to 43.4% for the nine months ended July 31, 2023, compared to 47.8% for the nine months ended July 31, 2022.

*Selling, General and Administrative.* IDWP selling, general and administrative expenses decreased by $362,000 in the three months ended July 31, 2023, compared to the three months ended July 31, 2022, primarily due to decreases in overhead allocations of $172,000, IT costs of $110,000, marketing expenses of $79,000, shipping cots of $63,000, occupancy expenses of $62,000, and decreases in consulting and legal expenses of $24,000, partially offset by increases in direct-to-consumer fulfillment costs of $64,000, salary and benefits of $52,000, and travel & entertainment costs of $32,000. The increase in salary and benefits was comprised of an overall decrease of $384,000 offset by a $436,000 ERC as a result of the CARES act recorded as a reduction in payroll tax expense in fiscal year 2022.

Selling, general and administrative expenses decreased by $832,000 in the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022, primarily due to decreases in overhead allocations of $852,000, shipping and direct-to-consumer costs of $239,000, occupancy expenses of $181,000, IT costs of $175,000, consulting and legal expenses of $111,000, partially offset by increases in marketing expenses of $338,000, salary and benefits of $182,000, severance of $146,000 due to a reduction in force on April 27, 2023 and other terminations during the nine months ended July 31, 2023, and travel & entertainment costs of $60,000. The increase in salary and benefits was comprised of an overall decrease of $254,000 offset by a $436,000 ERC as a result of the CARES act recorded as a reduction in payroll tax expense in fiscal year 2022.

As a percentage of IDWP revenues, selling, general and administrative expenses were 49.0% in the three months ended July 31, 2023, compared to 52.3% in the three months ended July 31, 2022, and 48.7% in the nine months ended July 31, 2023, compared to 48.4% in the nine months ended July 31, 2022.

**IDWE**

| **(in thousands)**<br>**Three months ended July 31,** | **2023** | **2022** | **Change**<br>**$** | **%** |
|---|---|---|---|---|
| Revenues | $ 3 | $ 1,159 | $ (1,156) | (99.7)% |
| Direct cost (recoupment of cost) of revenues | (141) | 86 | 227 | 264.0% |
| Selling, general and administrative | 164 | 1,017 | 853 | 83.9% |

| | | | | |
|---|---|---|---|---|
| Depreciation and amortization | 1 | 8 | 7 | 87.5% |
| (Loss) income from operations | **$ (21)** | $ 48 | **$ (69)** | **(143.8)%** |

| (in thousands) | | | Change | |
|---|---|---|---|---|
| **Nine months ended July 31,** | **2023** | **2022** | **$** | **%** |
| Revenues | $ 64 | $ 5,479 | $ (5,415) | (98.8)% |
| Direct cost (recoupment of cost) of revenues | (265) | 1,609 | 1,874 | 116.5% |
| Selling, general and administrative | 1,195 | 3,501 | 2,306 | 65.9% |
| Depreciation and amortization | 8 | 26 | 18 | 69.2% |
| (Loss) income from operations | **$ (874)** | **$ 343** | **$ (1,217)** | **(354.8)%** |



*Revenues.* IDWE revenues decreased by $1,156,000 in the three months ended July 31, 2023, compared to the three months ended July 31, 2022. Revenues in three months ended July 31, 2023 consisted of optioned project revenue compared to revenues from the delivery of *Surfside Girls* of $1,149,000 and two optioned projects of $10,000 earned in the three months ended July 31, 2022.

Revenues decreased by $5,415,000 in the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022. Revenues in nine months ended July 31, 2023 consisted of executive producing fee revenue for delivered episodes of *Essex County* season one of $37,000 and optioned projects and royalties of $27,000. In the nine months ended July 31, 2022, revenues consisted of revenue recognized due to the full delivery of *Locke & Key* season two of $4,200,000, revenue from the delivery of *Surfside Girls* of $1,150,000, the French-Canadian license received for *V Wars* of $119,000, and revenue from two optioned projects of $10,000.

*Direct cost (recoupment of costs) of revenues*. IDWE direct cost of revenues consists primarily of the amortization of production costs that were capitalized during the production of the television episodes and direct costs related to revenue recognized during related periods. Direct recoupment of costs consists of recoupment of expenses previously recorded as cost of revenue that could not be reasonably estimated in prior periods.

IDWE direct cost of revenues decreased by $227,000 in the three months ended July 31, 2023, compared to the three months ended July 31, 2022. The amortized television costs for the three months ended July 31, 2023, included cost recoupment from *Wynonna* Earp of $165,000, offset by residuals of $4,000, and inventory write offs of $20,000. The amortized television costs for the three months ended July 31, 2022, included full delivery of *Surfside Girls* of $100,000, executive producing fees of $200,000, inventory write offs of $87,000, residuals of $76,000, and agency commission fees of $5,000, offset by cost recoupment from *Wynonna Earp* of $382,000.

Direct costs of revenues decreased $1,874,000 for the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022. The amortized television costs for the nine months ended July 31, 2023, included cost recoupment from *Wynonna* Earp of $487,000 and a tax credit of $7,000, offset by residuals of $168,000 and inventory write offs of $61,000. The amortized television costs for the nine months ended July 31, 2022, consisted of delivered episodes from *Locke & Key* season 2 of $999,000, full delivery of *Surfside Girls* of $100,000, executive producing fees of $200,000, cost refinement from *October Faction* and *V Wars* of $78,000, inventory write offs of $242,000, residuals of $367,000, and agency commission fees of $5,000, offset by cost recoupment from *Wynonna Earp* of $382,000.

*Gross Margin.* IDWE gross margin was 4800.0% for the three months ended July 31, 2023, compared to 92.6% for the three months ended July 31, 2022 and was 514.1% for the nine months ended July 31, 2023, compared to 70.6% for the nine months ended July 31, 2022. These gross margin figures are aligned with the explanations provided for revenues and direct cost of revenues.

*Selling, General and Administrative. IDWE* selling, general and administrative expenses decreased by $853,000 during the three months ended July 31, 2023, compared to the three months ended July 31, 2022. The decrease was driven by decreases in overhead allocation of $378,000, salary and benefits of $273,000, non-cash compensation of $60,000, consulting and legal expenses of $74,000, and travel expenses, marketing, occupancy expenses, and IT costs of $68,000.

Selling, general and administrative expenses decreased by $2,306,000 during the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022. The decrease was driven by decreases in overhead allocation of $1,181,000, salary and benefits of $840,000, non-cash compensation of $169,000, and travel, marketing, occupancy expenses, consulting, and IT costs of $240,000, partially offset by increases in severance $90,000 due to a reduction in force on April 27, 2023 and other terminations during the nine months ended July 31, 2023 and legal expenses of $34,000. The decrease in salary and benefits included a $66,000 ERC as a result of the CARES act recorded as a reduction in payroll tax expense.

IDWE did not recognize meaningful revenue in the three months ended July 31, 2023 and 2022 and in the nine months ended July 31, 2023. As a percentage of IDWE's revenues, selling, general and administrative expenses in the nine months ended July 31, 2022 was 63.9%.



**IDWMH**

| **(in thousands)** | | | **Change** | |
|---|---|---|---|---|
| **Three months ended July 31,** | **2023** | **2022** | **$** | **%** |
| Selling, general and administrative | $ 194 | $ 230 | $ 36 | 15.7% |
| Depreciation and amortization | 17 | 2 | (15) | (750.0)% |
| Loss from operations | **$ (211)** | **$ (232)** | **$ 21** | **(9.1)%** |

| **(in thousands)** | | | **Change** | |
|---|---|---|---|---|
| **Nine months ended July 31,** | **2023** | **2022** | **$** | **%** |
| Selling, general and administrative | $ 2,671 | $ 1,025 | $ (1,646) | (160.6)% |
| Depreciation and amortization | 52 | 7 | (45) | (642.9)% |
| Loss from operations | **$ (2,723)** | **$ (1,032)** | **$ (1,691)** | **(163.9)%** |

*Selling, General and Administrative.* IDWMH selling, general and administrative expenses decreased by $36,000 during the three months ended July 31, 2023, compared to the three months ended July 31, 2022. The decrease was driven by decreases in salary and benefits of $349,000, consulting and legal expenses of $104,000, non-cash compensation of $52,000, and travel, marketing, occupancy expenses, and IT costs of $81,000, offset by decreases in overhead allocation to operating segments of $550,000.

Selling, general and administrative expenses increased by $1,646,000 during the nine months ended July 31, 2023, compared to the nine months ended July 31, 2022. The increase was driven by increases to overhead allocation to operating segments of $2,033,000, increases in severance of $412,000 due to a reduction in force on April 27, 2023, increases in non-cash compensation of $193,000, offset by decreases in salary and benefits of $640,000, marketing expenses of $126,000, shareholder relations expenses of $97,000, and travel, occupancy expenses, and IT costs of $129,000. The decrease in salary and benefits included a $25,000 ERC as a result of the CARES act recorded as a reduction in payroll tax expense.

**Consolidated Net Loss IDW Media Holdings, Inc.**

| (in thousands) | | | Change | |
|---|---|---|---|---|
| **Three months ended July 31,** | **2023** | **2022** | **$** | **%** |
| Loss from operations | $ (1,513) | $ (768) | $ (745) | (97.0)% |
| Interest income | 15 | - | 15 | 100.0% |
| Other expense | - | (69) | 69 | (100.0)% |
| Net loss | **$ (1,498)** | **$ (837)** | **$ (661)** | **(79.0)%** |

| (in thousands) | | | Change | |
|---|---|---|---|---|
| **Nine months ended July 31,** | **2023** | **2022** | **$** | **%** |
| Loss from operations | $ (5,420) | $ (1,028) | $ (4,392) | (427.2)% |
| Interest income (expense), net | 45 | (10) | 55 | 550.0% |
| Other (expense) income, net | (49) | (63) | 14 | 22.2% |
| Net loss | **$ (5,424)** | **$ (1,101)** | **$ (4,323)** | **(392.6)%** |

*Loss from operations.* Loss from operations increased by $745,000 in the three months ended July 31, 2023 compared to the three months ended July 31, 2022, due to negative changes in operational performance from IDWP of $697,000 and IDWE of $69,000, offset by a decrease in non-allocated corporate overhead of $21,000. These changes are described in the separate segment analyses above.

Loss from operations increased by $4,392,000 in the nine months ended July 31, 2023 compared to the nine months ended July 31, 2022, due to negative changes in operational performance from IDWP of $1,484,000 and IDWE of $1,217,000, and an increase in non-allocated corporate overhead of $1,691,000. These changes are described in the separate segment analyses above.

*Interest income (expense), net.* Interest income was $15,000 in the three months ended July 31, 2023 compared to $0 in the three months ended July 31, 2022 due to interest income earned on the ERC cash received in the three months ended July 31, 2023.

Interest income was $45,000 in the nine months ended July 31, 2023 compared to interest expense of $10,000 in the nine months ended July 31, 2022 due to interest income earned on the ERC cash received in the nine months ended July 31, 2023.

*Other (expense) income, net.* Other expense was $0 in the three months ended July 31, 2023 compared to $69,000 in the three months ended July 31, 2022, due to the loss on the disposal of property and equipment in the three months ended July 31, 2022.

Other expense was $49,000 in the nine months ended July 31, 2023 compared to other expense of $63,000 in the nine months ended July 31, 2022, primarily due to the loss on the disposal of property and equipment in the nine months ended July 31, 2023.



**Liquidity and Capital Resources**

*General*

At July 31, 2023, we had cash and cash equivalents of $3,577,000 and working capital (current assets in excess of current liabilities) of $14,057,000.

We anticipate that our expected cash inflows from operations during the next twelve months together with our working capital, including the balance of cash and cash equivalents held as of July 31, 2023, will be sufficient to sustain our operations for at least the twelve months following the date of this report. The Company has a history of losses in many recent periods, and if we are unable to reverse those losses, the Company will need to raise additional funds.

We satisfy our cash requirements primarily through cash provided by the Company's operating and financing activities.

| | Nine months ended July 31, | |
|---|---|---|
| **(in thousands)** | **2023** | **2022** |
| **Cash flows used in:** | | |
| Operating activities | $ (6,047) | $ (6,501) |
| Investing activities | (390) | (782) |
| Financing activities | - | - |
| **Net decrease in cash and cash equivalents** | **$ (6,437)** | **$ (7,283)** |

*Operating Activities*

Cash flows used in operating activities was $6,047,000 for the nine months ended July 31, 2023, compared to $6,501,000 in the nine months ended July 31, 2022. For the nine months ended July 31, 2023, net use of cash was primarily a result of the net loss for the period of $5,424,000, adjusted for non-cash items included in the determination of net loss, and $2,246,000 of cash outflow related to the effect of changes in operating assets and liabilities. For the nine months ended July 31, 2022, the net use of cash was primarily a result of net loss of $1,101,000, adjusted for non-cash items included in the determination of net loss and $7,490,000 of cash outflow related to the effect of changes in operating assets and liabilities. Cash flows generated at IDWE vary widely year to year due to timing of productions. In order to mitigate the loss of cash in future periods, the Company carried out a reduction in force of approximately 39% of its workforce.

*Investing Activities*

Our capital expenditures were approximately $390,000 and $782,000 in the nine months ended July 31, 2023, and 2022, respectively.

*Financing Activities*

The Company had no financing activity in the nine months ended July 31, 2023 or 2022.

**Recent Accounting Pronouncements**

For a description of recently issued accounting pronouncements, including the respective dates of adoption, and expected effects on our results of operations and financial condition, see Note 1 to the condensed consolidated financial statements included in this report.

**Off- Balance Sheet Arrangements**

We do not have any "off-balance sheet arrangements," as defined in relevant SEC regulations that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

**Cash Sources and Liquidity**

The Company is using the net proceeds we received from the August 6, 2021 registered public offering of Class B common stock principally for the development of Licensed Content and Creator Content. Funds are also used for marketing spend for our IP franchises, and additionally for technology investments and our website development. The Company also seeks to pursue potential investment and acquisition opportunities, should such opportunities arise.



The COVID-19 pandemic has had a negative impact on our business in past quarters with regard to issues related to increased costs of international printing and shipping. In the fiscal year 2022 through the third quarter of fiscal year 2023, our business as a whole has not suffered any material adverse consequences from the pandemic. The extent of the impact of the COVID-19 pandemic and resulting economic uncertainty could adversely affect our liquidity and capital resources in the future, and cash requirements may fluctuate based on the timing and extent of many factors discussed above.

*Dividends*

We have never declared or paid any cash dividends on our capital stock. The Company does not currently anticipate paying any cash dividends in the foreseeable future and is using cash flows to invest in the growth of the business.

**Foreign Currency Risk**

There is a foreign currency exchange risk associated with IDWE's arrangements with special-purpose entities, formed for the sole purpose of providing production services in Canada, as the value of assets denominated in CAD will fluctuate due to changes in exchange rates, which will affect the Company's production costs.

**Foreign Exchange Balances Held in CAD (in thousands)**

| | July 31, 2023 | October 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ - | $ 170 |

**Item 5 Legal Proceedings.**

None

**Item 6 Defaults upon senior securities.**

None

**Item 7 Other information.**

None

**Item 8 Exhibits.**

None



**Item 9 Certifications.**

I, Davidi Jonas, certify that:

1. I have reviewed this quarterly disclosure statement of IDW Media Holdings, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: September 13, 2023

/s/ Davidi Jonas
Chief Executive Officer



I, Andrew DeBaker, certify that:

1. I have reviewed this quarterly disclosure statement of IDW Media Holdings, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: September 13, 2023

/s/ Andrew DeBaker
Vice President of Accounting and Finance
(Principal Financial Officer)