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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2026

or

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

For the transition period from _____ to _____

Commission file number: **001-39868**

Motorsport Games Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**86-1791356**
State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.
3350 SW 148th Avenue, Suite 207 Miramar, FL	**33027**
Address of principal executive offices	Zip Code

Registrant's telephone number, including area code: **(305) 413-0812**

Not Applicable
Former Name, former address and former fiscal year, if changed since last report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0001 par value per share	**MSGM**	**The Nasdaq Stock Market LLC (The Nasdaq Capital Market)**
Preferred Stock Purchase Rights	**N/A**	**The Nasdaq Stock Market LLC (The Nasdaq Capital Market)**

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

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

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☒

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

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

As of November 12, 2026, the registrant had 4,588,802 shares of Class A common stock and no shares of Class B common stock outstanding.

Motorsport Games Inc.
Form 10-Q
For the Quarter Ended September 30, 2026

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") of Motorsport Games Inc. (the "Company," "Motorsport Games," "we," "us" or "our") contains certain statements, which are not historical facts and are "forward-looking statements" within the meaning of federal securities laws. These forward-looking statements are subject to certain risks, trends and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. We use words, such as "could," "would," "may," "might," "will," "expect," "likely," "believe," "continue," "anticipate," "estimate," "intend," "plan," "project" and other similar expressions to identify some forward-looking statements, but not all forward-looking statements include these words. For example, forward-looking statements include, but are not limited to, statements we make relating to:

- our intended corporate purpose to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and most innovative experiences for racers, gamers and fans of all ages;
- new or planned products or offerings, including the anticipated timing of any new product or offering launches, such as our current plans to facilitate esports series this year, as well as the possibility of further adjustments to our product roadmap due to the continuing impact of our liquidity position;
- our plans to strive to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party racing game developers and publishers;
- our intention to continue exploring opportunities to expand the recurring portion of our Esports segment outside of Le Mans;
- our belief that connecting virtual racing gamers and esports fans on a digital entertainment and social platform represents the greatest opportunity to enhance the way that people learn, watch, play, and experience racing video games and racing esports;
- our beliefs regarding the growing importance and business viability of esports, especially within the racing and motorsport genres;
- our belief that our esports business has the potential to generate incremental revenues through the further sale of media rights to our esports events and competitions, as well as, among other things, merchandising, if the esports audience pattern continues to grow;
- our plans to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases and extra content;
- our expectation that we will continue to derive significant revenues from sales of our products to a very limited number of distribution partners;
- our intention to continue to look for opportunities to expand the recurring portion of our business, including through the planned introduction of new annualized sports franchise games, such as with Le Mans;
- our intended use of proceeds from the sales of our equity securities;
- our statements and assumptions relating to the impairment of assets;
- our plans and intentions with respect to our remediation efforts to address the material weaknesses in our internal control over financial reporting;
- our belief that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows, except as otherwise disclosed in this Report, and that in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period; our beliefs regarding the merit of any plaintiff's allegations and the impact of any claims and litigation that we are subject to; and our plans and intentions with respect to defending our position in any legal proceeding;
- our intention to not declare dividends in the foreseeable future;
- our ability to utilize net operating loss carryforwards;
- our expectations regarding the future impact of implementing management strategies, adopting new accounting standards, potential acquisitions and industry trends;
- our plans and intentions to maintain compliance with the listing requirements of The Nasdaq Stock Market LLC ("Nasdaq"), including our plan to implement equity financing transactions; and
- our expectations that our current development operations will not have significant exposure to changes in circumstances arising from the Ukraine-Russia and Middle East conflicts.

The forward-looking statements contained in this Report are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider this Report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions that are difficult to predict. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements. Important factors that could cause our actual results to differ materially from those projected in any forward-looking statements are discussed in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K") and in "Risk Factors" in Part II, Item 1A of this Report, as updated in our subsequent filings with the Securities and Exchange Commission (the "SEC"). In addition to factors that may be described in our filings with the SEC, including this Report, the following factors, among others, could cause our actual results to differ materially from those expressed in any forward-looking statements made by us:

(i) difficulties and/or delays in accessing available liquidity, and other unanticipated difficulties in obtaining additional capital to meet our financial obligations, including, without limitation, difficulties in securing funding that is on commercially acceptable terms to us or at all, such as our inability to complete in whole or in part any potential debt and/or equity financing transactions or similar transactions, any inability to achieve cost reductions, including, without limitation, those which we expect to achieve through any cost reduction and restructuring initiatives, as well as any inability to consummate additional strategic alternatives for our business, including, but not limited to, the sale or licensing of our assets, and/or less than expected benefits resulting from any such strategic alternative; difficulties, delays or our inability to efficiently manage our cash and working capital; higher than expected operating expenses; adverse impacts to our liquidity position resulting from the higher interest rate and higher inflationary environment; lower than expected operating revenues, cash on hand and/or funds available from anticipated borrowings or funds expected to be generated from cost reductions resulting from the implementation of cost control initiatives, such as through any cost reduction and restructuring initiatives; and/or less than anticipated cash generated by our operations; and/or adverse effects on our liquidity resulting from changes in economic conditions (such as continued volatility in the financial markets, whether attributable to a pandemic, the ongoing wars between Russia and Ukraine and between Israel and Hamas or otherwise; significantly higher rates of inflation, significantly higher interest rates and higher labor costs; the impact of higher energy prices on consumer purchasing behavior, monetary conditions and foreign currency fluctuations, tariffs, foreign currency controls and/or government-mandated pricing controls, as well as in trade, monetary, fiscal and tax policies), tariffs, export controls, political conditions (such as military actions and terrorist activities) and pandemics and natural disasters; and/or the unavailability of funds from (A) delaying the implementation of or revising certain aspects of our business strategy; (B) reducing or delaying the development and launch of new products and events; (C) reducing or delaying capital spending, product development spending and marketing and promotional spending; (D) selling assets or operations; and/or (E) reducing other discretionary spending;

(ii) difficulties, delays or less than expected results in achieving our growth plans, objectives and expectations, such as due to a slower than anticipated economic recovery and/or our inability, in whole or in part, to continue to execute our business strategies and plans, due to less than anticipated customer acceptance of our new game titles, us experiencing difficulties or the inability to launch our games as planned, less than anticipated performance of the games impacting customer acceptance and sales and/or greater than anticipated costs and expenses to develop and launch our games, including, without limitation, higher than expected labor costs;

(iii) difficulties, delays in or unanticipated events that may impact the timing and scope of new product launches, due to difficulties and/or delays related to our transition from using development staff in Russia to using development staff in other countries and/or difficulties and/or delays arising out of any pandemic;

(iv) less than expected benefits from implementing our management strategies and/or adverse economic, market and geopolitical conditions that negatively impact industry trends, such as significant changes in the labor markets, an extended or higher than expected inflationary environment (such as the impact on consumer discretionary spending as a result of increases in energy and gas prices, a higher interest rate environment, tax increases impacting consumer discretionary spending and/ or quantitative easing that results in higher interest rates that negatively impact consumers' discretionary spending), or adverse developments relating to the ongoing war between Russia and Ukraine and conflicts in the Middle East;

(v) difficulties and/or delays adversely impacting our ability (or inability) to maintain existing, and to secure additional, licenses and other agreements with various racing series;

(vi) difficulties and/or delays adversely impacting our ability to successfully manage and integrate any joint ventures, acquisitions of businesses, solutions or technologies;

(vii) unanticipated operating costs, transaction costs and actual or contingent liabilities;

(viii) difficulties and/or delays adversely impacting our ability to attract and retain qualified employees and key personnel;

(ix) adverse effects of increased competition;

(x) changes in consumer behavior, including as a result of general economic factors, such as increased inflation, recessionary factors, higher energy prices and higher interest rates;

(xi) difficulties and/or delays adversely impacting our ability to protect our intellectual property;

(xii) local, industry and general business and economic conditions;

(xiii) unanticipated adverse effects on our business, prospects, results of operations, financial condition, cash flows and/or liquidity as a result of unexpected developments with respect to our legal proceedings;

(xiv) difficulties, delays or our inability to successfully complete any cost reduction and restructuring initiatives, which could reduce the benefits realized from such activities;

(xv) higher than anticipated restructuring charges and/or payments and/or changes in the expected timing of such charges and/or payments as a result of, among other things, legal requirements in applicable foreign jurisdictions; and/or less than anticipated annualized cost reductions from our plans and/or changes in the timing of realizing such cost reductions, such as due to less than anticipated liquidity to fund such activities and/or more than expected costs to achieve the expected cost reductions;

(xvi) difficulties, delays, less than expected results or our inability to successfully implement any strategic alternative or potential option for our business, including, but not limited to, the sale or licensing of certain of our assets, which could result in, among other things, less than expected financial benefits from such actions; and

(xvii) difficulties and/or unanticipated developments adversely impacting our ability to maintain compliance with the Nasdaq's listing requirements, such as our inability to implement equity financing transactions.

Additionally, there are other risks and uncertainties described from time to time in the reports that we file with the SEC. Should one or more of these risks or uncertainties materialize or should any of these assumptions prove to be incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this Report to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances, except as otherwise required by law. New factors that could cause our business not to develop as we expect emerge from time to time, and it is not possible for us to predict all of them. Further, we cannot assess the impact of each currently known or new factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

MOTORSPORT GAMES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2026 (Unaudited)	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 5,378,937	$ 4,993,390
Accounts receivable, net	1,668,332	2,243,619
Prepaid expenses and other current assets	756,769	350,487
Total Current Assets	7,804,038	7,587,496
Property and equipment, net	54,514	32,853
Operating lease right of use assets	256,753	22,710
Deferred tax asset	492,934	492,934
Other non-current assets	95,774	60,530
Intangible assets, net	4,740,163	3,771,543
Total Assets	$ 13,444,176	$ 11,968,066
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 364,541	$ 918,280
Accrued expenses and other current liabilities	1,444,180	1,293,206
Deferred revenue	1,558,079	1,133,382
Due to related parties	3,566	3,371
Note payable	196,400	-
Operating lease liabilities – current portion	45,563	17,575
Total Current Liabilities	3,612,329	3,365,814
Operating lease liabilities, non-current	196,703	-
Deferred tax liability	269,188	222,833
Line of credit	1,200,000	-
Other non-current liabilities	-	798,188
Total Liabilities	5,278,220	4,386,835
Commitments and contingencies (Note 9)		
Stockholders' Equity		
Preferred stock, $0.0001 par value; authorized 1,000,000 shares; none issued and outstanding as of September 30, 2026 and December 31, 2025	-	-
Class A common stock, $0.0001 par value; authorized 100,000,000 shares; 5,493,197 shares issued and 4,588,802 shares outstanding as of September 30, 2026; 5,078,450 shares issued and outstanding as of December 31, 2025	545	504
Class B common stock, $0.0001 par value; authorized 7,000,000 shares; 0 and 700,000 shares issued and outstanding as of September 30, 2026 and December 31, 2025, respectively	-	70
Additional paid-in capital	97,902,924	95,691,531
Treasury stock, at cost; 904,395 and 0 shares as of September 30, 2026 and December 31, 2025, respectively	(3,717,063)	-
Accumulated deficit	(84,294,125)	(85,339,803)
Accumulated other comprehensive loss	(3,301,146)	(3,576,620)
Total Stockholders' Equity Attributable to Motorsport Games Inc.	6,591,135	6,775,682
Non-controlling interest	1,574,821	805,549
Total Stockholders' Equity	8,165,956	7,581,231
Total Liabilities and Stockholders' Equity	$ 13,444,176	$ 11,968,066

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MOTORSPORT GAMES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenues [1]	$ 3,775,429	$ 3,100,018	$ 11,346,680	$ 7,450,311
Cost of revenues	451,429	597,817	1,612,994	1,518,090
Gross profit	3,324,000	2,502,201	9,733,686	5,932,221
Operating expenses:				
Sales and marketing	237,005	136,024	638,674	360,032
Development	112,589	418,912	1,364,154	1,291,208
General and administrative [2]	1,749,092	1,142,867	4,769,104	3,176,389
Impairment of intangible assets	-	-	27,928	-
Depreciation and amortization	7,520	9,450	21,347	39,273
Total operating expenses	2,106,206	1,707,253	6,821,207	4,866,902
Other operating income	-	4,000	-	1,608,497
Income from operations	1,217,794	798,948	2,912,479	2,673,816
Interest expense, net	(23,922)	(1,434)	(43,018)	(19,184)
Other (expense) income, net	(63,875)	(28,977)	(544,692)	3,374,690
Income before provision for income taxes	1,129,997	768,537	2,324,769	6,029,322
Provision for income taxes	451,870	-	451,870	-
Net income	678,127	768,537	1,872,899	6,029,322
Less: Net income (loss) attributable to non-controlling interest	349,739	(20,759)	827,221	(59,432)
Net income attributable to Motorsport Games Inc.	$ 328,388	$ 789,296	$ 1,045,678	$ 6,088,754
Net income attributable to Class A common stock per share:				
Basic	$ 0.07	$ 0.14	$ 0.21	$ 1.32
Diluted	$ 0.06	$ 0.14	$ 0.19	$ 1.32
Weighted-average shares of Class A common stock outstanding:				
Basic [3]	4,841,894	5,456,286	5,017,342	4,615,460
Diluted	5,365,317	5,456,286	5,367,166	4,615,460

[1] Includes related party revenues of $0 and $18,500 for the three months ended September 30, 2026 and 2025, respectively. Includes related party revenues of $11,000 and $43,500 for the nine months ended September 30, 2026 and 2025, respectively.

[2] Includes related party expenses of $0 and $10,500 for the three months ended September 30, 2026 and 2025, respectively, and $0 and $85,500 for the nine months ended September 30, 2026 and 2025, respectively.

[3] Includes weighted average pre-funded warrant shares. See Note 7 – *Stockholders' Equity* for more information.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MOTORSPORT GAMES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Net income	$ 678,127	$ 768,537	$ 1,872,899	$ 6,029,322
Other comprehensive income (loss):				
Foreign currency translation adjustments	32,865	456,058	217,525	(2,714,032)
Comprehensive income	710,992	1,224,595	2,090,424	3,315,290
Comprehensive income attributable to non-controlling interests	215,813	190,040	769,272	211,761
Comprehensive income attributable to Motorsport Games Inc.	$ 495,179	$ 1,034,555	$ 1,321,152	$ 3,103,529

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MOTORSPORT GAMES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

For the Three and Nine Months Ended September 30, 2026

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total - Stockholders' Equity Attributable to Motorsport	Non-controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Games Inc.	Interest	Equity
Balance - January 1, 2026	5,078,450	$ 504	700,000	$ 70	-	$ -	$95,691,531	$ (85,339,803)	$ (3,576,620)	$ 6,775,682	$ 805,549	$ 7,581,231
Other comprehensive (loss) income	-	-	-	-	-	-	-	-	(40,514)	(40,514)	64,534	24,020
Net income	-	-	-	-	-	-	-	315,827	-	315,827	635,746	951,573
Balance - March 31, 2026	5,078,450	504	700,000	70	-	-	95,691,531	(85,023,976)	(3,617,134)	7,050,995	1,505,829	8,556,824
Repurchase of Class A shares	-	-	-	-	904,395	(3,717,063)	-	-	-	(3,717,063)	-	(3,717,063)
Cancellation of Class B shares upon repurchase of Class A shares	-	-	(700,000)	(70)	-	-	70	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	149,197	149,197	11,443	160,640
Net income (loss)	-	-	-	-	-	-	-	401,463	-	401,463	(158,264)	243,199
Balance - June 30, 2026	5,078,450	$ 504	-	-	904,395	(3,717,063)	95,691,601	(84,622,513)	(3,467,937)	3,884,592	1,359,008	5,243,600
Stock-based compensation	-	-	-	-	-	-	426,188	-	-	426,188	-	426,188
Replacement of director compensation obligations with grant of restricted stock units	-	-	-	-	-	-	885,175	-	-	885,175	-	885,175
Issuance of Class A common stock upon exercise of warrants	414,747	41	-	-	-	-	899,960	-	-	900,001	-	900,001
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	166,791	166,791	(133,926)	32,865
Net income	-	-	-	-	-	-	-	328,388	-	328,388	349,739	678,127
Balance – September 30, 2026	5,493,197	$ 545	-	$ -	904,395	$(3,717,063)	$97,902,924	$ (84,294,125)	$ (3,301,146)	$ 6,591,135	$ 1,574,821	$ 8,165,956

For the Three and Nine Months Ended September 30, 2025

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders' Equity Attributable to Motorsport	Non-controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Games Inc.	Interest	Equity
Balance – January 1, 2025	3,183,558	$ 315	700,000	$ 70	$ 93,438,177	$ (92,267,870)	$ (674,434)	$ 496,258	$ 729,744	$ 1,226,002
Other comprehensive income (loss)	-	-	-	-	-	-	(888,880)	(888,880)	57,150	(831,730)
Net income (loss)	-	-	-	-	-	1,041,058	-	1,041,058	(18,445)	1,022,613
Balance – March 31, 2025	3,183,558	$ 315	700,000	$ 70	$ 93,438,177	$ (91,226,812)	$ (1,563,314)	$ 648,436	$ 768,449	$ 1,416,885
Issuance of common stock and pre-funded warrant, net	1,894,892	189	-	-	2,253,354	-	-	2,253,543	-	2,253,543
Other comprehensive income (loss)	-	-	-	-	-	-	(2,341,604)	(2,341,604)	3,244	(2,338,360)
Net income (loss)	-	-	-	-	-	4,258,400	-	4,258,400	(20,228)	4,238,172
Balance – June 30, 2025	5,078,450	504	700,000	70	$ 95,691,531	(86,968,412)	(3,904,918)	4,818,775	751,465	5,570,240
Other comprehensive income	-	-	-	-	-	-	245,259	245,259	210,799	456,058
Net income (loss)	-	-	-	-	-	789,296	-	789,296	(20,759)	768,537
Balance – September 30, 2025	5,078,450	$ 504	700,000	$ 70	$ 95,691,531	$ (86,179,116)	$ (3,659,659)	$ 5,853,330	$ 941,505	$ 6,794,835

MOTORSPORT GAMES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities:		
Net income	$ 1,872,899	$ 6,029,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from settlement of purchase commitment liabilities	-	(175,460)
Loss (gain) on foreign currency exchange rates	364,664	(3,334,533)
Depreciation and amortization	605,727	795,387
Purchase commitment and license liability interest accretion	-	7,262
Non-cash operating lease expense	24,399	22,195
Stock-based compensation	522,552	-
Impairment of intangible assets	27,928	-
Deferred income taxes	46,543	-
Changes in assets and liabilities:		
Accounts receivable	565,323	79,092
Operating lease liabilities	(33,597)	(23,122)
Prepaid expenses and other assets	56,217	268,880
Accounts payable	(546,948)	(2,042,979)
Due to related parties	-	(13,310)
Deferred revenue	460,751	721,372
Accrued expenses and other liabilities	84,304	482,184
Net cash provided by operating activities	$ 4,050,762	$ 2,816,290
Cash flows from investing activities:		
Investment in internally-developed software	(1,668,510)	(673,021)
Purchase of property and equipment	(43,573)	(3,865)
Net cash used in investing activities	$ (1,712,083)	$ (676,886)
Cash flows from financing activities:		
Proceeds from line of credit	1,200,000	-
Proceeds from exercise of warrants	900,001	-
Payments on notes payable	(306,429)	(484,183)
Repurchase of stock	(3,717,063)	-
Repayments of purchase commitment liabilities	-	(750,000)
Equity issuance costs	-	(96,268)
Proceeds from issuance of common stock and pre-funded warrant from private placement offering, net	-	2,349,811
Net cash (used in) provided by financing activities	$ (1,923,491)	$ 1,019,360
Effect of exchange rate changes on cash and cash equivalents	(29,641)	110,655
Net increase in cash and cash equivalents	385,547	3,269,419
Total cash and cash equivalents at beginning of the period	$ 4,993,390	$ 859,271
Total cash and cash equivalents at the end of the period	$ 5,378,937	$ 4,128,690
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 43,875	$ 12,131
Income taxes	$ 452,187	$ -
Non-cash Investing and Financing Activities:		
Issuance of note payable for payment of prepaid expenses	$ 450,338	$ 412,080
Replacement of director compensation obligations with grant of restricted stock units	$ 885,175	$ -
ROU asset obtained in exchange for lease liability	$ 260,385	$ -
Cancellation of Class B shares	$ 70	$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1 - BUSINESS ORGANIZATION, NATURE OF OPERATIONS, AND RISKS AND UNCERTAINTIES

Organization and Operations

Motorsport Gaming US LLC ("Motorsport Gaming") was established as a limited liability company on August 2, 2018 under the laws of the State of Florida. On January 8, 2021, Motorsport Gaming converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Motorsport Games Inc. ("Motorsport Games" or the "Company"). Upon effecting the corporate conversion on January 8, 2021, Motorsport Games now holds all the property and assets of Motorsport Gaming, and all of the debts and obligations of Motorsport Gaming were assumed by Motorsport Games by operation of law upon such corporate conversion.

Liquidity

The Company had net income of $1.9 million and generated cash flows from operations of $4.1 million for the nine months ended September 30, 2026. As of September 30, 2026, the Company had an accumulated deficit of $84.3 million, working capital of $4.2 million, and cash and cash equivalents of $5.4 million.

The Company expects that its cash on hand, cash to be generated from operations and availability on its line of credit will fund its operations for at least one year from the date the condensed consolidated financial statements are issued.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared 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 of the information and footnotes required by U.S. GAAP for complete financial statements. In management's opinion, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair statement of the Company's unaudited condensed consolidated financial statements as of September 30, 2026 and for the three and nine months ended September 30, 2026 and 2025. The Company's results of operations for the three and nine months ended September 30, 2026 are not necessarily indicative of the operating results for the full year ending December 31, 2026 or any other period. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related disclosures as of December 31, 2025 and 2024 and for the years then ended which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 10, 2026.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

The Company's significant estimates used in these condensed consolidated financial statements include, but are not limited to, revenue recognition criteria, offering periods for deferred net revenue, valuation allowance of deferred income taxes, and stock-based compensation valuation. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and may cause actual results to differ from those estimates.

Revisions and Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the presentation of these condensed consolidated financial statements. Deferred revenue is now separately presented from accrued expenses and other current liabilities on the accompanying condensed consolidated statements of cash flows. In addition, the Company has revised the statement of cash flows for the nine months ended September 30, 2025 to revise the presentation of net cash provided by financing activities to include payments on notes payable that was previously included in cash flows from operating activities. As a result, net cash provided by operating activities increased by $0.5 million and net cash provided by financing activities decreased by $0.5 million during the nine months ended September 30, 2025. These reclassifications had no effect on the prior period's results of operations.

Warrant Classification and Correction of Immaterial Error

During the quarter ended June 30, 2026, the Company completed and documented its evaluation of the settlement provisions contained in its outstanding warrants, including the provisions applicable upon a fundamental transaction, and concluded that all of the Company's outstanding warrants are equity-classified instruments under ASC 815-40.

In connection with that evaluation, the Company determined that the February 2023 warrants, which had been presented as liabilities and remeasured at fair value through earnings since issuance, should have been classified within equity from issuance, and that their prior presentation was an error. The Company evaluated the error under SEC Staff Accounting Bulletin Nos. 99 and 108 and concluded that it was not material to any previously issued annual or interim financial statements. The Company corrected the error through an adjustment to increase the additional paid-in capital by $477,902 and increase the accumulated deficit by the same amount on the December 31, 2025 condensed consolidated balance sheet, representing the issuance-date fair value of the warrants and the approximate amount of the cumulative net remeasurement gains recognized in prior periods. This adjustment has also been reflected in the opening line of the statements of changes in stockholders' equity as of January 1, 2026 and 2025. Such correction had no impact on net equity. The warrant liability was removed from the condensed consolidated balance sheet as of June 30, 2026 through a nominal adjustment to earnings. As a result, the February 2023 warrants are no longer remeasured and are permanently reflected in stockholders' equity.

The Series A, Series B and Placement Agent warrants issued in July 2024 are equity-classified instruments recorded within additional paid-in capital and are not remeasured. The description of these warrants as liability-classified in the Company's Form 10-Q for the quarter ended March 31, 2026 was an error in disclosure that had no effect on any recognized amount in any period and is corrected by this report. On April 23, 2026, stockholders approved the exercisability of these warrants; the warrants became exercisable on that date, and the shares issuable upon exercise are included in the computation of diluted earnings per share from that date to the extent dilutive.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in ASC 480 – *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815 – *Derivatives and Hedging* ("ASC 815"). The Company's assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period-end date while the warrants are outstanding. The Company has evaluated the settlement provisions contained in its outstanding warrants, including the provisions applicable upon a fundamental transaction, and concluded that all of the Company's outstanding warrants are equity-classified. See Note 7 – *Stockholders' Equity* for additional information.

Provision for Income Taxes

The Company's effective tax rate for the three and nine months ended September 30, 2026 was approximately 40.0% and 19.4%, respectively. Provision for income taxes primarily relates to corporate tax expenses incurred by Studio397 B.V, a wholly owned subsidiary of the Company, which mainly generated profit from foreign currency gains.

Net Income Per Common Share

Shares of Class B common stock have no economic rights under the Company's Certificate of Incorporation and are excluded from the calculation of basic and diluted net income per share. All Class B shares were cancelled on April 22, 2026. Basic net income per Class A common share is computed by dividing net income attributable to Motorsport Games Inc. by the weighted average number of shares of Class A common stock outstanding during each period. Diluted net income per Class A common share includes the effect, if any, from the potential exercise or conversion of securities, such as stock options, warrants, unvested restricted stock units and performance stock units ("PSUs"), which would result in the issuance of incremental shares of Class A common stock. The Company analyzes the potential dilutive impact of options, warrants, unvested restricted stock units and PSUs under the treasury stock method; PSUs, which are contingently issuable, are included only to the extent the shares would be issuable if the end of the reporting period were the end of the performance period.

The Company calculated basic and diluted net income per Class A common share as follows for the three and nine months ended September 30, 2026 and 2025:

	For the Three Months Ended September 30,	
	2026	**2025**
Numerator:		
Net income attributable to Motorsport Games Inc.	$ 328,388	$ 789,296
Denominator:		
Weighted average Class A common shares outstanding – basic (1)	4,841,894	5,456,286
Effects of dilutive securities:		
Assumed exercise of stock options, treasury stock method	32,867	-
Unvested restricted stock units, treasury stock method	145,981	-
Assumed exercise of warrants, treasury stock method	344,575	-
Weighted average dilutive potential common shares	523,423	-
Weighted average Class A common shares outstanding - diluted	5,365,317	5,456,286
Net income per Class A common share - basic	$ 0.07	$ 0.14
Net income per Class A common share - diluted	$ 0.06	$ 0.14

	For the Nine Months Ended September 30,	
	2026	**2025**
Numerator:		
Net income attributable to Motorsport Games Inc.	$ 1,045,678	$ 6,088,754
Denominator:		
Weighted average Class A common shares outstanding – basic (1)	5,017,342	4,615,460
Effects of dilutive securities:		
Assumed exercise of stock options, treasury stock method	30,260	-
Unvested restricted stock units, treasury stock method	49,195	-
Assumed exercise of warrants, treasury stock method	270,369	-
Weighted average dilutive potential common shares	349,824	-
Weighted average Class A common shares outstanding - diluted	5,367,166	4,615,460
Net income per Class A common share - basic	$ 0.21	$ 1.32
Net income per Class A common share - diluted	$ 0.19	$ 1.32

(1) Includes the weighted average number of 377,836 shares issuable upon the exercise of pre-funded warrants issued on April 11, 2025. For the three and nine months ended September 30, 2026, also includes a weighted average of 28,532 and 9,615 shares, respectively, underlying 41,666 restricted stock units that vested on July 30, 2026 for which shares of Class A common stock had not been issued as of September 30, 2026.

The following shares were excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	**2025 (3)**	**2026**	**2025 (3)**
Stock options (1)	40,626	117,876	40,626	117,876
Warrants (2)	33,574	33,574	33,574	33,574
Restricted Stock Units	8,333	-	8,333	-
Total	82,533	151,450	82,533	151,450

(1) Represents stock options excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive.

(2) Represents warrants excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive and excludes pre-funded warrants which are included in basic weighted average shares outstanding.

(3) The number of stock options outstanding as of September 30, 2025 was previously reported as 96,828, but has been revised to 117,876 to correct the prior-period treatment of 21,394 shares of restricted Class A common stock granted outside of the MSGM 2021 Stock Plan in June 2023 as option forfeitures.

Contingently issuable PSUs are excluded from the calculation of basic and diluted weighted average shares outstanding, because the market condition had not yet been met as of September 30, 2026.

Recently Issued Accounting Standards

As an emerging growth company ("EGC"), the Company may, under the Jumpstart Our Business Startups Act ("JOBS Act") delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are applicable to private companies. The Company will no longer be considered an EGC as of December 31, 2026. The Company has elected to use this extended transition period under the JOBS Act until such time as the Company is no longer considered to be an EGC. The adoption dates discussed below reflect this election.

On January 1, 2026, the Company prospectively adopted ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"), which introduced a practical expedient to simplify how entities estimate credit losses on short-term receivables and contract assets under the Current Expected Credit Losses model. The adoption of ASU 2025-05 did not have a material impact on the condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"). The guidance requires disaggregated information about certain income statement expense line items on an annual and interim basis. This guidance will be effective for annual periods beginning with the year ending December 31, 2027 and for interim periods thereafter. The new standard permits early adoption and can be applied prospectively or retrospectively. The Company is currently evaluating the timing, method and impact of its adoption of ASU 2024-03.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* ("ASU 2025-06"), which modernizes the accounting for internal-use software. ASU 2025-06 removes all references to software development stages and requires capitalization of software costs when management has committed to the software project and it is probable the software will be completed and perform its intended use. ASU 2025-06 will be effective for the Company's interim and annual 2028 reporting periods, with early adoption permitted. The Company is currently evaluating the timing, method and impact of its adoption of ASU 2025-06.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements* ("ASU 2025-11"), which clarifies interim disclosure requirements and the applicability of Topic 270. The guidance will be effective for interim periods beginning January 1, 2028. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2025-11 to have a material impact on its condensed consolidated financial statements.

Significant Accounting Policies

There have been no material changes to the significant accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2025, as included in the 2025 Form 10-K, other than as described above.

NOTE 3 – INTANGIBLE ASSETS

Licensing Agreements

In March 2019, the Company entered into an agreement to facilitate the Le Mans Esports Series as part of a joint venture with Automobile Club de l'Ouest ("ACO"), the organizer of the 24 Hours of Le Mans endurance race. Through the Company's ownership interest in this joint venture, which was increased to 51% from 45% in January 2021, the Company secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the FIA World Endurance Championship (the "WEC"), which the 24 Hours of Le Mans race is a part of, for a ten-year period, and is automatically renewable for an additional ten years. The Company consolidates its interest in the joint venture with the ACO. In addition, through this joint venture with ACO, the Company has the right to create and organize esports leagues and events for the Le Mans Esports Series. The Company acquired a video gaming license (the "Le Mans Gaming License") and an esports license related to its ownership interest in this joint venture with the ACO.

Intangible Assets

The following is a summary of intangible assets as of September 30, 2026:

	Licensing Agreements (Finite)	Software (Finite)	Trade Names (Indefinite)	Accumulated Amortization	Total
Balance as of January 1, 2026	$ 1,663,507	$ 7,449,032	$ 219,516	$ (5,560,512)	$ 3,771,543
Amortization expense	-	-	-	(584,380)	(584,380)
Additions	-	1,668,510	-	-	1,668,510
Impairment (1)	-	-	(27,928)	-	(27,928)
Foreign currency translation adjustments	(53,963)	(205,054)	985	170,450	(87,582)
Balance as of September 30, 2026	$ 1,609,544	$ 8,912,488	$ 192,573	$ (5,974,442)	$ 4,740,163
Weighted average remaining amortization period at September 30, 2026	14.5	3.2			

(1) The impairment relates to a web domain no longer used.

Accumulated amortization of intangible assets consists of the following:

	Licensing Agreements (Finite)	Software (Finite)	Accumulated Amortization
Balance as of January 1, 2026	$ 415,879	$ 5,144,633	$ 5,560,512
Amortization expense	61,660	522,720	584,380
Foreign currency translation adjustment	(12,928)	(157,522)	(170,450)
Balance as of September 30, 2026	$ 464,611	$ 5,509,831	$ 5,974,442

Estimated aggregate amortization expense of intangible assets for the next five years and thereafter is as follows:

For the Years Ending December 31,	Total
2026 (remaining period)	$ 203,705
2027	1,085,358
2028	1,179,212
2029	761,589
2030	493,048
Thereafter	824,678
	$ 4,547,590

The Company has updated the useful life estimate for its software technology prospectively effective January 1, 2026, which is being amortized over a period of five years to account for its continued use. The effect of this change was a reduction in amortization expense of approximately $0.2 million and $0.5 million during the three and nine months ended September 30, 2026, respectively, and is expected to reduce amortization expense for 2026 by approximately $0.7 million.

Amortization expense related to intangible assets was approximately $0.2 million and $0.3 million for the three months ended September 30, 2026 and 2025, respectively, and approximately $0.6 million and $0.8 million for the nine months ended September 30, 2026 and 2025, respectively.

NOTE 4 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2026	December 31, 2025
Accrued royalties	$ 285,227	$ 366,677
Accrued professional fees	68,765	60,421
Accrued development costs	143,226	93,145
Accrued taxes	177,942	122,633
Accrued payroll	760,384	570,123
Accrued other	8,636	80,207
Total	$ 1,444,180	$ 1,293,206

Deferred Revenue

Revenue collected in advance of the event is recorded as deferred revenue until the event occurs. Development, coding and subscription revenues are also recorded as deferred revenue until the Company's performance obligation is performed. Furthermore, deferred revenue includes payment advances from the Company's channel partners and sales transactions including future update rights and online hosting performance obligations, which are subject to deferral and recognized over the estimated offering period.

Revenue recognized in the period from amounts included in contract liability at the beginning of the period was approximately $0.1 million and $0.4 million for the three months ended September 30, 2026 and 2025, respectively, and approximately $1.1 million and $0.4 million for the nine months ended September 30, 2026 and 2025, respectively.

NOTE 5 – LINE OF CREDIT

On February 20, 2026, the Company entered into a business loan agreement with Citibank, N.A. ("Citibank"), and on June 15, 2026 the Company entered into an Amendment to the Business Loan Agreement (as amended, the "Credit Agreement"). Pursuant to the Credit Agreement, Citibank provided the Company with a revolving line of credit of up to $3.0 million at an interest rate equal to the Adjusted Term SOFR (as defined in the Credit Agreement) plus 2.25%, subject to increase upon an event of default. The Adjusted Term SOFR has a floor of 0.75%. The revolving line of credit is evidenced by a promissory note that the Company issued to Citibank on February 20, 2026, which the Company amended on June 15, 2026 (as amended, the "Citibank Promissory Note"), in the principal amount of up to $3.0 million. The Citibank Promissory Note has a stated maturity date of February 20, 2028. The Company also entered into a commercial security agreement pursuant to which Citibank was granted a lien on substantially all of the Company's assets.

The Credit Agreement includes certain affirmative covenants related to conducting the Company's business and maintaining certain levels of cash flow and fixed charges, including a requirement to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) in excess of 1.200 to 1.000 and a Cash Flow Leverage Ratio (as such term is defined in the Credit Agreement) not in excess of 2.500 to 1.000. The Credit Agreement also contains negative covenants including prohibitions on the creation or existence of any other liens or security interests on the Company's assets. The Credit Agreement also contains events of default, including failure to make payments under the Citibank Promissory Note or any related documents, failure to comply with covenants, obligations or conditions contained in the Citibank Promissory Note or any related document, defaults under other loans, extension of credit or security agreement and any change in the ownership of twenty-five percent (25%) or more of the Company's common stock. The occurrence of an event of default can result in the exercise of remedies including an increase in the applicable rate of interest by 3.00% and declaration that all outstanding amounts owed under the Citibank Promissory Note immediately become due and payable. The Company incurred approximately $18,000 and $32,000 in interest charges under the Credit Agreement during the three and nine months ended September 30, 2026, respectively. The Share Repurchase Agreement entered into with Driven Lifestyle Group LLC ("Driven Lifestyle") on April 22, 2026, did not result in a default under the Credit Agreement. See Note 6 – *Related Party Transactions.*

As of September 30, 2026, the balance due to Citibank under the Credit Agreement was $1.2 million and there was $1.8 million of available capacity. The Company is currently in compliance with all covenants related to the Credit Agreement.

NOTE 6 – RELATED PARTY TRANSACTIONS

Related Party Revenue and Receivable - Pimax Innovation Co. Limited

In February 2026, the Company recorded approximately $11,000 worth of gaming revenues from Pimax Innovation Co. Limited, an affiliate of a significant minority shareholder of the Company. As of September 30, 2026, there was no balance due from Pimax Innovation Co. Limited.

Other Related Party Transactions – Driven Lifestyle Group LLC

The Company had other related party payables outstanding as of September 30, 2026 and December 31, 2025. Specifically, the Company owed approximately $4,000 and $3,000 to Driven Lifestyle as a related party payable as of September 30, 2026 and December 31, 2025, respectively. During the three months ended September 30, 2026 and 2025, approximately $0 was paid to Driven Lifestyle in settlement of related party payables. During the nine months ended September 30, 2026 and 2025, approximately $0 and $0.1 million was paid to Driven Lifestyle in settlement of related party payables, respectively.

Backoffice Services Agreement

The Company previously entered into a Backoffice Services Agreement with Driven Lifestyle for rent, development and other services to support the Company's business functions, which was amended periodically to reduce scope, and ultimately terminated on December 31, 2025.

For the nine months ended September 30, 2026 and 2025, the Company incurred $0 and $85,500, respectively, in fees in connection with the Backoffice Services Agreement. For the three months ended September 30, 2026 and 2025, the Company incurred $0 and $10,500, respectively, in fees in connection with the Backoffice Services Agreement, which is presented in general and administrative expenses within the condensed consolidated statements of operations.

Share Repurchase Agreement

On April 22, 2026, the Company entered into a Share Repurchase Agreement (the "Agreement") with Driven Lifestyle, pursuant to which the Company purchased 904,395 shares of the Company's Class A Common Stock held by Driven Lifestyle. The Agreement provided for such shares to be purchased at a price of $4.11, which was equal to the average closing price of the Class A common stock as reported by the Nasdaq Capital Market for the five trading days immediately preceding the signing of the Agreement. Pursuant to this Agreement, all shares of the Company's Class B common stock were cancelled.

NOTE 7 – STOCKHOLDERS' EQUITY

Class A and B Common Stock

As of September 30, 2026, the Company had 4,588,802 shares of Class A common stock and no shares of Class B common stock outstanding. On April 22, 2026, pursuant to the Agreement with Driven Lifestyle, all shares of Class B common stock outstanding were cancelled.

Preferred Stock

On July 22, 2026, the Board of Directors adopted a preferred stock rights agreement (the "Rights Agreement") with ClearTrust, LLC, as rights agent. In connection with the Rights Agreement, the Board declared a dividend of one preferred stock purchase right (each, a "Right") for each outstanding share of Class A common stock to stockholders of record as of the close of business on August 3, 2026. The Rights are exercisable only after a person or group, other than the Company and certain exempt persons, becomes the beneficial owner of 12.5% or more of the Class A common stock. Beneficial ownership, as defined in the Rights Agreement, includes certain derivative arrangements. The significant dilution caused by the exercise of the Rights makes an unsolicited acquisition of the Company prohibitively expensive without approval from the Company's Board of Directors. Each Right entitles its registered holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock, par value $0.0001 per share, of the Company at a purchase price of $25.00 per Right, subject to adjustment. The Rights will attach to any shares of common stock that become outstanding after the Record Date and prior to the earlier of the Distribution Time (as defined in the Rights Agreement), the Redemption Date (as defined in the Rights Agreement), the Final Expiration Time (as defined in the Rights Agreement), and in certain other circumstances described in the Rights Agreement.

On July 22, 2026, the Board adopted a Certificate of Designations of Series A Participating Preferred Stock, which sets forth the rights, powers and preferences of that series. The Certificate of Designations was filed with the Delaware Secretary of State on July 23, 2026. The Series A Preferred Stock have a par value of $0.0001 per share, and there are 50,000 shares constituting the Series A Preferred Stock, with none issued and outstanding as of September 30, 2026. A copy of the Certificate of Designations is attached as an exhibit to the Company's Form 8-K filed on July 23, 2026, and is incorporated herein by reference.

Warrants

The Company had the following warrants outstanding as of September 30, 2026 (excluding pre-funded warrants described below), all of which are equity-classified:

	Offering Date	Warrants Outstanding	Warrant Strike Price	Remaining Term (in years)
Registered direct offering 1	February 1, 2023	10,981	$ 26.75	1.3
Registered direct offering 2	February 2, 2023	8,662	$ 29.38	1.3
Registered direct offering 3	February 3, 2023	13,931	$ 21.74	1.3
Series A	July 26, 2024	460,830	$ 2.17	5.1(a)
Series B	July 26, 2024	46,083	$ 2.17	1.1(a)
Placement Agent	July 26, 2024	27,650	$ 2.71	2.8(a)

(a) The warrants became exercisable on April 23, 2026, which represents the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the warrants. As a result of the action taken by the Company's stockholders at the Company's 2026 Annual Meeting, the Series A Warrants will expire on October 23, 2031, the Series B Warrants will expire on October 25, 2027 and the Placement Agent Warrants will expire on July 26, 2029.

On August 4, 2026, Series B Warrants to purchase 414,747 shares of Class A Common Stock that were previously outstanding as of June 30, 2026 were exercised. The Company received proceeds of $900,001 from the exercise of these warrants on August 4, 2026.

Common Stock and Pre-Funded Warrant

On April 11, 2025, the Company entered into a securities purchase agreement with several institutional and accredited investors for the issuance and sale in a private placement of the following securities for aggregate gross proceeds of approximately $2.5 million: (i) 1,894,892 shares of the Company's Class A Common Stock, par value $0.0001 and (ii) the Pre-Funded Warrant to purchase up to 377,836 shares of Class A Common Stock at an exercise price of $0.0001 per share (the "Pre-Funded Warrant"). The purchase price for one share of Class A Common Stock was $1.10 and the purchase price for one pre-funded warrant was $1.0999 per share. The Company received net proceeds of approximately $2.35 million from the private placement, after deducting offering expenses paid by the Company. As of September 30, 2026, the Pre-Funded Warrant has not been exercised.

NOTE 8 – SHARE-BASED COMPENSATION

On January 12, 2021, in connection with its initial public offering, Motorsport Games established the Motorsport Games Inc. 2021 Equity Incentive Plan (the "MSGM 2021 Stock Plan"). The MSGM 2021 Stock Plan provides for the grant of options, stock appreciation rights, restricted stock awards, performance share awards and restricted stock unit awards, and initially authorized 100,000 shares of Class A common stock to be available for issuance. On April 23, 2026, the Company's stockholders approved an amendment to the MSGM 2021 Stock Plan to increase the number of shares of Class A common stock available for issuance from 100,000 to 600,000. As of September 30, 2026, there were 63,566 shares of Class A common stock available for issuance under the MSGM 2021 Stock Plan. Shares issued in connection with awards made under the MSGM 2021 Stock Plan are generally issued as new issuances of Class A common stock.

Non-Employee Director Compensation Awards

Pursuant to the non-employee director compensation policy adopted by the Board of Directors at the time of the Company's initial public offering, each non-employee director is entitled to receive an annual stock option award equal to the number of shares of Class A common stock obtained by dividing $75,000 by the closing trading price of the Class A common stock on the date of grant, vesting one year from the date of grant. All such option awards immediately vest upon a change of control of the Company.

On August 29, 2025, the Board of Directors unanimously acknowledged and approved that the Company would remain legally obligated to issue any prior equity compensation owed to each non-employee director under the policy and not granted, or to settle such obligations in cash or other consideration acceptable to the director, in each case upon a change of control of the Company (as defined in the MSGM 2021 Stock Plan) or if a director ceases to serve on the Board of Directors for any reason other than for cause (as defined in the MSGM 2021 Stock Plan). Because the obligations could be settled in cash, the Company classified these obligations as liabilities through July 30, 2026. The fair value of each award was remeasured at each reporting date and on July 30, 2026 using a Black-Scholes option-pricing model with assumptions as of the applicable measurement date, and the cumulative compensation cost recognized at each measurement date equaled the proportion of the requisite service period rendered through that date multiplied by the remeasured fair value of the award. The cumulative liability was presented within other non-current liabilities on the condensed consolidated balance sheets, and changes in the cumulative liability between reporting dates were recognized in general and administrative expense in the condensed consolidated statements of operations.

Prior to April 23, 2026, the Company had not granted the annual non-employee director stock option awards contemplated by the above policy because there were not enough authorized shares in the MSGM 2021 Stock Plan. On April 23, 2026, the Company's stockholders approved an amendment to the MSGM 2021 Stock Plan to increase the number of shares of Class A common stock available for issuance from 100,000 to 600,000. On July 30, 2026, the Company granted restricted stock units to the non-employee directors in satisfaction of all prior obligations related to annual non-employee director stock option awards. As of September 30, 2026 and December 31, 2025, the cumulative liability for the non-employee director compensation obligations described above was $0 and $789,320, respectively.

On July 30, 2026, the Company granted an aggregate of 273,934 restricted stock units to the Board of Directors, in satisfaction of the equity compensation previously owed to each non-employee director under the policy described above. Each restricted stock unit represents a contingent right to receive one share of Class A Common Stock and vests on January 1, 2027 (or, for one director, 50% on January 1, 2027 and 50% on July 1, 2027), or earlier upon the occurrence of a change of control, as defined, subject to the director's continued service through the applicable vesting date. Prior to the grant date, the director compensation liability was remeasured to its fair value of $1,406,213, and upon grant of the new restricted stock units, the fair value related to the cumulative requisite service period through July 30, 2026 of $885,175 was recorded in additional paid-in capital, the liability was eliminated and compensation expense was reduced by $521,038 for the three months ended September 30, 2026.

The restricted stock units are equity-classified and the replacement award was measured at its grant-date fair value of $1,246,400, based on the $4.55 closing price of the Class A common stock on the grant date. Because the restricted stock units replaced the original awards before a grant date had occurred, the Company adjusted cumulative compensation cost to the replacement measure attributed from each original award's service inception date (its award date under the policy) through the vesting dates of the restricted stock units, which resulted in $885,175 being recorded in additional paid-in capital on the grant date. The Company recognized $130,083 of compensation expense related to the new restricted stock unit director awards from the grant date through September 30, 2026, leaving the remaining fair value of the new restricted stock units of $231,142 as of September 30, 2026 to be recognized as compensation expense through July 1, 2027.

Executive Officer Awards

On July 30, 2026, the Company granted 137,500 time-based restricted stock units and 25,000 PSUs to its executive officers under the MSGM 2021 Stock Plan (the "Officer Awards"). Each award represents a contingent right to receive one share of Class A common stock. Of the time-based restricted stock units, 41,666 vested on the grant date, 83,334 vest in two equal installments on January 30, 2027 and July 30, 2027, and 12,500 vest in three equal annual installments through July 30, 2029, subject to continued employment. As of September 30, 2026, the shares of Class A common stock underlying the 41,666 vested restricted stock units had not been issued; these shares are included in basic weighted average shares outstanding from the vesting date. The PSUs are earned based on the total shareholder return of the Class A common stock measured over three annual periods. Earned PSUs vest on July 30, 2029, subject to continued employment. The awards are equity-classified and are measured at grant-date fair value. The grant-date fair value of the time-based restricted stock units of $4.55 per unit was based on the closing price of the Class A common stock on the grant date, and compensation expense is recognized on a tranche-by-tranche basis over the requisite service period of each vesting tranche. Because the PSUs contain a market condition, their grant-date fair value is determined using a Monte Carlo simulation and compensation expense is recognized on a straight-line basis over the three-year requisite service period, regardless of whether the market condition is achieved. The grant-date fair value of the PSUs of $3.21 per unit was estimated using a Monte Carlo simulation with the following assumptions: grant-date share price of $4.55, expected volatility of 119.5%, risk-free interest rate of 4.30%, performance period of 3.0 years and expected dividend yield of zero. During the three and nine months ended September 30, 2026, the Company recognized $296,613 of stock compensation expense related to the Officer Awards.

The following table summarizes restricted stock unit activity for the nine months ended September 30, 2026:

	Number of Units	Weighted Average Grant Date Fair Value
Restricted stock units granted (1)	411,434	$ 4.55
Vested	(41,666)	$ 4.55
Nonvested at September 30, 2026	369,768	$ 4.55

(1) Includes 273,934 in replacement director awards.

The following table summarizes PSU activity for the nine months ended September 30, 2026:

	Number of Units	Weighted Average Grant Date Fair Value
Performance stock units granted	25,000	$ 3.21
Vested	-	$ -
Nonvested at September 30, 2026	25,000	$ 3.21

Fair Value Valuation Assumptions

The fair value of the stock options and stock appreciation rights is estimated using the Black-Scholes option pricing model. The estimation of fair value for these awards is affected by subjective and complex variables, which are typically based on historical information. Judgment is required to determine if historical trends are indicators of future outcomes.

Key assumptions of the Black-Scholes option pricing model are the risk-free interest rate, expected volatility, expected term and expected dividends. The Company determined the risk-free interest rate using U.S. Treasury yields in effect at the grant date (or, for liability-classified awards, at each measurement date) that matched the expected term of the options. Expected volatility is based on a combination of historical stock price volatility, as well as implied volatilities, of comparable publicly traded companies with operations similar to Motorsport Games over a 10-year period, consistent with the contractual term of the options. The Company calculated the expected term using the simplified method as prescribed by the SEC's Staff Accounting Bulletin, Topic 14 ("SAB Topic 14"). This decision was based on the lack of relevant historical data due to the Company's limited historical experience. The dividend yield was zero, as the Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Share-based compensation expense is adjusted for forfeitures, which are accounted for as they occur.

The following table presents the weighted-average assumptions, weighted average fair value, and the range of expected price volatility used in determining the fair value of the non-employee director liability-classified awards as of July 30, 2026 (the date the awards were replaced by restricted stock units) and December 31, 2025:

	As of July 30, 2026	As of December 31, 2025
Risk-free interest rate	4.34 – 4.38%	3.73%
Expected volatility	112%	90 - 160%
Weighted-average volatility	112%	115%
Expected term	3.70 – 5.22 years	4.00 - 5.48 years
Expected dividends	None	None
Weighted-average fair value per share	$ 3.96	$ 2.73

Fair Value Hierarchy

The following table presents the Company's liabilities measured at fair value on a recurring basis as of September 30, 2026 and December 31, 2025:

	Fair value measurements at reporting date using:			
	Quoted prices in active markets for identical liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
As of September 30, 2026:				
Non-employee director compensation awards	$ -	$ -	$ -	$ -
As of December 31, 2025:				
Non-employee director compensation awards	$ -	$ -	$ 789,320	$ 789,320

A reconciliation of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

Balance at January 1, 2026	$ 789,320
Non-cash director compensation (see Stock-Based Compensation below)	616,893
Reversal of compensation expense as a result of replacement awards	(521,038)
Reclassification of liability to additional paid-in capital upon grant of restricted stock units	(885,175)
Balance at September 30, 2026	$ -

Stock-Based Compensation

Stock-based compensation expense, net, was $109,877 and $522,552 for the three and nine months ended September 30, 2026, respectively, and is included in general and administrative expense in the condensed consolidated statements of operations. There was no stock-based compensation expense for the three and nine months ended September 30, 2025. Net stock-based compensation expense consisted of the following:

	Three Months Ended September 30, 2026	Nine Months Ended September 30, 2026
Equity-classified awards	$ 426,188	$ 426,188
Liability-classified awards	(316,311)	96,364
Total	$ 109,877	$ 522,552

The net benefit from liability-classified awards for the three months ended September 30, 2026 resulted from the remeasurement of the director compensation liability upon the grant of the new restricted stock units (see *Non-Employee Director Compensation Award,* above).

As of September 30, 2026, total unrecognized share-based compensation expense related to restricted stock units was $565,200, which is expected to be recognized over a weighted-average period of approximately 0.6 years. As of September 30, 2026, total unrecognized share-based compensation expense related to the PSUs was $75,710, which is expected to be recognized over a period of approximately 2.8 years.

The Company did not issue stock options under its MSGM 2021 Stock Plan during the nine months ended September 30, 2026. As of September 30, 2026, there were 117,876 options outstanding under the MSGM 2021 Stock Plan with a weighted average exercise price of $12.28. There was no stock option activity during the nine months ended September 30, 2026. The number of options outstanding and the weighted average exercise price as of December 31, 2025 were previously reported as 96,828 and $61.76, respectively, and have been revised to 117,876 and $12.28, respectively, primarily to correct the prior-period treatment of 21,394 shares of restricted Class A common stock granted outside of the MSGM 2021 Stock Plan in June 2023 as option forfeitures. As of September 30, 2026, all outstanding options were exercisable and had a weighted average remaining contractual term of 6.9 years and an aggregate intrinsic value of $183,218. The majority of the options issued under the MSGM 2021 Stock Plan have time-based vesting schedules, typically vesting ratably over a three-year period. Certain stock option awards differed from this vesting schedule. All stock options issued under the MSGM 2021 Stock Plan expire 10 years from the grant date.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows. In light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period. Litigation or other legal proceedings, with or without merit, is unpredictable and generally expensive and time consuming and, even if resolved in the Company's favor, is likely to divert significant resources from the Company's core business, including distracting its management personnel from their normal responsibilities.

Certain conditions may exist as of the date the condensed consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's condensed consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed. The Company recognizes legal costs associated with loss contingencies in the period incurred.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

Commitments

On January 25, 2021, the Company entered into an amendment (the "Le Mans Amendment") to the Le Mans Esports Series Ltd joint venture agreement, which resulted in an increase of the Company's ownership interest in the Le Mans Esports Series Ltd joint venture from 45% to 51%. Additionally, through certain multi-year licensing agreements that were entered into in connection with the Le Mans Amendment, the Company secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the WEC, as well as the rights to create and organize esports leagues and events for the 24 Hours of Le Mans race, the WEC and the 24 Hours of Le Mans Virtual event. In exchange for certain of these license rights, the Company agreed to fund up to €8,000,000 (approximately $9,087,000 as of September 30, 2026) as needed for development of the video game products, which has been fully funded as of September 30, 2026. The Company is obligated to pay ACO an annual royalty payment of €250,000 beginning from the time of the launch of the first video game product and continuing through each anniversary thereof for the term of the license. Further, pursuant to the Le Mans Amendment, the Company has a right to priority distribution of profits to recoup the additional funding and royalty payments made by the Company under the Le Mans Gaming License, which are accounted for through the noncontrolling interest allocation. See Note 3 – *Intangible Assets* for additional information.

Lease

On July 8, 2026, the Company entered into an extension agreement to renew its lease for office space in the United Kingdom, effective September 3, 2026. Lease payments of £11,464 (approximately $15,224) are due quarterly (£3,821 or $5,074 per month). The lease extension expires on August 31, 2031.

A summary of the Company's right-of-use asset and lease liability related to the lease is as follows.

	For the Nine Months ended September 30, 2026
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 34,204
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	$ 260,385
Weighted Average Remaining Lease Term (Years)	
Operating leases	4.9
Weighted Average Discount Rate	
Operating leases	7.0%

Future minimum payments under the Company's operating lease agreements are as follows:

For the Years Ending December 31,	Minimum Lease Payments
2026 (three months)	$ 15,224
2027	60,895
2028	60,895
2029	60,895
2030	60,895
2031	27,069
Total future minimum lease payments	285,873
Less: Imputed interest	(43,607)
Present value of lease liabilities	242,266
Less: current portion	(45,563)
Lease liabilities, non-current portion	$ 196,703

Epic License Agreement

On August 11, 2020, the Company entered into a licensing agreement with Epic Games International ("Epic") for worldwide licensing rights to Epic's proprietary computer program known as the Unreal Engine 4. Pursuant to the agreement, upon payment of the initial license fee described below, the Company was granted a nonexclusive, non-transferable and terminable license to develop, market and sublicense (under limited circumstances and subject to conditions of the agreement) certain products using the Unreal Engine 4 for its games.

The Company is required to pay Epic a license fee royalty payment equal to 5% of product revenue, as defined in the licensing agreement. During the nine months ended September 30, 2026 and 2025, the Company incurred royalties of approximately $12,000 and $11,000, respectively, and during the three months ended September 30, 2026 and 2025, incurred royalties of approximately $4,000 in each period under the agreement. Pursuant to the terms of the agreement, the Company had the right to actively develop new or existing authorized products during a 5-year period, which ended on August 11, 2025.

NOTE 10 – CONCENTRATIONS

Customer Concentrations

The following table sets forth information as to each customer that accounted for 10% or more of the Company's revenues for the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Customer	**2026**	**2025**	**2026**	**2025**
Customer A	69.3%	56.6%	58.9%	61.1%
Customer B	19.0%	23.1%	19.2%	20.1%
Customer C	11.5%	*%	11.0%	*%
Total	99.8%	79.7%	89.1%	81.2%

The following table sets forth information as to each customer that accounted for 10% or more of the Company's trade accounts receivable as of:

Customer	September 30, 2026	December 31, 2025
Customer A	50.6%	46.9%
Customer B	22.9%	29.5%
Customer C	*	11.8%
Customer D	*	10.2%
Total	73.5%	98.4%

Supplier Concentrations

The following table sets forth information as to the suppliers that accounted for 10% or more of the Company's cost of revenues for the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Supplier	**2026**	**2025**	**2026**	**2025**
Supplier A	19.5%	16.4%	16.2%	10.5%
Supplier B	15.3%	12.0%	13.1%	14.1%
Total	34.8%	28.4%	29.3%	24.6%

* Less than 10%.

A reduction in sales from or loss of these customers or suppliers, in a significant amount, would have a material adverse effect on the Company's results of operations and financial condition.

NOTE 11 – SEGMENT REPORTING

The Company's principal operating segments coincide with the types of products and services sold by the Company. The products and services from which revenues are derived are consistent with the reporting structure of the Company's internal organization. The Company's two reportable segments for the three and nine months ended September 30, 2026 and 2025 were (i) the development and publishing of interactive racing video games, entertainment content and services (the "Gaming segment"); and (ii) the organization and facilitation of esports tournaments, competitions and events for the Company's licensed racing games as well as on behalf of third-party video game racing series and other video game publishers (the "Esports segment"). The Company's Chief Operating Decision Maker ("CODM") has been identified as the Company's Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Segment information is presented based upon the Company's management organization structure as of September 30, 2026 and the distinctive nature of each segment. Future changes to this internal financial structure may result in changes to the reportable segments disclosed. There are no inter-segment revenue transactions and, therefore, all revenues are earned from external customers.

Segment operating profit is determined based upon internal performance measures used by the CODM. The Company derives the segment results from its internal management reporting system. The accounting policies the Company uses to derive reportable segment results are the same as those used for external reporting purposes. Management measures the performance of each reportable segment based upon several metrics, including revenues, gross profit, Adjusted EBITDA, and operating income/loss. Management uses these results to evaluate the performance of, and to assign resources to, each of the reportable segments. Segment income from operations excludes interest income/expense and other income or expenses and income taxes according to how a particular reportable segment's management is measured.

Segment information available with respect to these reportable business segments was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenues:				
Gaming	$ 3,649,818	$ 3,100,018	$ 11,184,792	$ 7,450,311
Esports	125,611	-	161,888	-
Total Revenues	$ 3,775,429	$ 3,100,018	$ 11,346,680	$ 7,450,311
Cost of Revenues:				
Gaming	$ 426,769	$ 597,817	$ 1,523,183	$ 1,518,090
Esports	24,660	-	89,811	-
Total Cost of Revenues	$ 451,429	$ 597,817	$ 1,612,994	$ 1,518,090
Gross Profit:				
Gaming	$ 3,223,049	$ 2,502,201	$ 9,661,609	$ 5,932,221
Esports	100,951	-	72,077	-
Total Gross Profit	$ 3,324,000	$ 2,502,201	$ 9,733,686	$ 5,932,221
Sales and Marketing Expenses:				
Gaming	$ 216,722	$ 135,422	$ 617,058	$ 359,430
Esports	20,283	602	21,616	602
Total Sales and Marketing Expenses	$ 237,005	$ 136,024	$ 638,674	$ 360,032
Development Expenses:				
Gaming	$ 112,589	$ 418,912	$ 1,262,982	$ 1,291,208
Esports	-	-	101,172	-
Total Development Expenses	$ 112,589	$ 418,912	$ 1,364,154	$ 1,291,208
General and Administrative Expenses:				
Gaming	$ 1,746,537	$ 1,142,867	$ 4,761,445	$ 3,158,374
Esports	2,555	-	7,659	18,015
Total General and Administrative Expenses	$ 1,749,092	$ 1,142,867	$ 4,769,104	$ 3,176,389
Impairment of Intangible Assets:				
Gaming	$ -	$ -	$ 27,928	$ -
Esports	-	-	-	-
Total Impairment of Intangible Assets	$ -	$ -	$ 27,928	$ -
Depreciation and Amortization:				
Gaming	$ 5,309	$ 3,833	$ 14,610	$ 21,143
Esports	2,211	5,617	6,737	18,130
Total Depreciation and Amortization	$ 7,520	$ 9,450	$ 21,347	$ 39,273
Other Operating Income:				
Gaming	$ -	$ 4,000	$ -	$ 1,608,497
Esports	-	-	-	-
Total Other Operating Income	$ -	$ 4,000	$ -	$ 1,608,497
Income (Loss) From Operations:				
Gaming	$ 1,141,892	$ 805,167	$ 2,977,586	$ 2,710,563
Esports	75,902	(6,219)	(65,107)	(36,747)
Total Income From Operations	$ 1,217,794	$ 798,948	$ 2,912,479	$ 2,673,816

	September 30, 2026	December 31, 2025
Total Assets:		
Gaming	$ 12,095,726	$ 10,424,054
Esports	1,348,450	1,544,012
Total Assets	$ 13,444,176	$ 11,968,066

NOTE 12 - SUBSEQUENT EVENTS

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the unaudited condensed consolidated financial statements were issued. There were no subsequent events requiring recognition or disclosure up to the date that the unaudited condensed consolidated financial statements were issued.

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

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2025 (the "2025 Form 10-K") filed with the Securities and Exchange Commission (the "SEC") on March 10, 2026 and the condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Report. Unless the context requires otherwise, references to the "Company," "Motorsport Games," "we," "us" and "our" refer to Motorsport Games Inc., a Delaware corporation.

About Motorsport Games

Motorsport Games is a racing game developer, publisher and esports ecosystem provider of official motorsport racing series, including the iconic 24 Hours of Le Mans endurance race ("Le Mans") and the associated FIA World Endurance Championship (the "WEC"). Our portfolio also includes the KartKraft karting simulation game, as well as Studio 397 B.V. ("Studio397") and its rFactor 2 realistic racing simulator technology and platform. rFactor 2 also powers F1® Arcade through a partnership with Kindred Concepts. Our purpose is to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large global motorsport audience.

We develop and publish racing video games including for personal computers (PCs) through various digital channels, including full-game and downloadable content ("DLC"). We have obtained the official licenses to develop multi-platform games for the 24 Hours of Le Mans race and the WEC. We are also striving to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games.

On February 20, 2024, we released *Le Mans Ultimate* on PC in early access. *Le Mans Ultimate* is the official game of the WEC and 24 Hours of Le Mans, and is the first officially licensed and dedicated 24 Hours of Le Mans video game release in over twenty years. On July 22, 2025, we released *Le Mans Ultimate* Version 1.0. This milestone marked the completion of the title's Early Access phase and ushered in a new era of continued development and expansion for the official game of the FIA World Endurance Championship and the 24 Hours of Le Mans. As of October 31, 2026, we have sold more than two million combined units of our *Le Mans Ultimate* base game and individual pieces of DLC. Additionally, we achieved an all-time peak of 11,941 concurrent players for *Le Mans Ultimate* during a 24 Hours of Le Mans Special Event, run entirely on our proprietary RaceControl platform in October 2026.

Our revenue for the three months ended September 30, 2026, was approximately $3.8 million, an increase of 21.8% compared to the three months ended September 30, 2025, and an increase of 6.7% compared to the three months ended June 30, 2026. Our revenue for the nine months ended September 30, 2026, was approximately $11.3 million, an increase of 52.3% compared to the nine months ended September 30, 2025. Our gross profit margin for the three months ended September 30, 2026, was 88.0%, compared with 80.7% for the three months ended September 30, 2025, and 85.8% for the nine months ended September 30, 2026, compared with 79.6% for the nine months ended September 30, 2025. Our income from operations for the three months ended September 30, 2026, was approximately $1.2 million, an increase of 52.4% compared to the three months ended September 30, 2025. The most recent quarter represents the sixth consecutive quarter in which we reported positive operating income. For the nine months ended September 30, 2026, our operating income was approximately $2.9 million, compared with approximately $2.7 million for the nine months ended September 30, 2025.

We have pursued recurring revenues through the development of our RaceControl platform. RaceControl subscription revenue for the nine months ended September 30, 2026, was approximately $2.0 million, compared with approximately $0.7 million for the nine months ended September 30, 2025, an increase of 186.2%. RaceControl subscription revenue represented 17.3% of our total revenue for the nine months ended September 30, 2026, compared with 9.2% for the nine months ended September 30, 2025. Based on monthly recurring revenue for October 2026 of approximately $282,000, RaceControl is on track to generate approximately $3.4 million in annual recurring revenue, compared with approximately $2.9 million based on monthly recurring revenue of approximately $245,000 for July 2026. As of September 30, 2026, RaceControl had more than 45,000 paid subscribers, an increase of approximately 157% compared with September 30, 2025.

Recent Events

Rights Agreement

On July 22, 2026, our Board of Directors approved and adopted a preferred stock rights agreement and authorized and declared a dividend distribution of one right (each, a "Right") for each outstanding share of the Class A Common Stock to stockholders of record as of the close of business on August 3, 2026 (the "Record Date"). The complete terms of the Rights are set forth in a Preferred Stock Rights Agreement (the "Rights Agreement"), dated as of July 22, 2026, with ClearTrust, LLC, a Florida limited liability company, as rights agent. In general terms, subject to certain exceptions, the Rights Agreement imposes significant dilution upon any person or group (other than us and certain other Exempt Persons (as defined in the Rights Agreement)), that becomes the beneficial owner of twelve and a half percent (12.5%) or more of the Class A Common Stock following our first public announcement of the adoption of the Rights Agreement. The term "beneficial ownership" is defined in the Rights Agreement and includes, among other things, certain derivative arrangements.

In connection with the adoption of the Rights Agreement, on July 22, 2026, our Board of Directors adopted a Certificate of Designations of Series A Participating Preferred Stock (the "Certificate of Designations") setting forth the rights, powers, and preferences of the Series A Participating Preferred Stock, par value $0.0001 per share. The Certificate of Designations was filed with the Secretary of State of the State of Delaware on July 23, 2026. A copy of the Certificate of Designations is attached as an exhibit to the Company's Form 8-K filed on July 23, 2026, and is incorporated herein by reference.

Amended and Restated Bylaws

On July 22, 2026, our Board of Directors determined to amend our Bylaws by adopting certain Amended and Restated Bylaws (the "Amended and Restated Bylaws"), effective as of such date. The Amended and Restated Bylaws modified provisions of the Bylaws including, but not limited to:

- Conduct of Meetings: The Amended and Restated Bylaws provide that our Board of Directors or the presiding officer of any stockholders meeting has broad authority, to the maximum extent permitted by applicable law, to establish the rules, regulations, and procedures necessary or desirable for the proper conduct of a stockholders' meeting.

- Adjournment, Postponements and Cancellations of Stockholders' Meetings: The Amended and Restated Bylaws provide that if a quorum is not present or represented at any stockholders' meeting, a majority of the voting power of our stockholders present in person or represented by proxy at the meeting or the individual acting as chairman of the meeting may adjourn the meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented. The Amended and Restated Bylaws also provide that the individual acting as chairman of the meeting may also, from time to time, for any or no reason, adjourn or recess any meeting of stockholders, and that our Board of Directors may, for any or no reason, postpone or cancel any meeting of stockholders upon public notice given prior to the time previously scheduled for such meeting.

- Business Conducted or Considered at Meetings of Stockholders: The Amended and Restated Bylaws provide that, for nominations and proposals of other business to have been properly brought before an annual meeting such nominations and proposals of other business must be: (i) specified in a notice of meeting given by or at the direction of our Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of our Board of Directors, or (iii) otherwise properly requested by an eligible stockholder who complies with the advance notice and procedural requirements set forth in the Amended and Restated Bylaws. To be properly brought before a special meeting, proposals of business must be specified in the notice of meeting given by or at the direction of our Board of Directors or brought before the meeting at the direction of our Board of Directors.

- Advance Notice Requirements: The Amended and Restated Bylaws enhance the procedural mechanics and disclosure requirements in connection with stockholder nominations of directors and submissions of stockholder proposals (other than proposals to be included in our proxy statement pursuant to Rule 14a-8 under the Exchange Act at stockholders' meetings).

- Special Meetings of Stockholders: The Amended and Restated Bylaws provide that, to the extent that our Board of Directors calls a special meeting of stockholders for the purpose of electing directors, the advance notice disclosure and other requirements contained in the Amended and Restated Bylaws applicable to proposing nominees for election to our Board of Directors at annual meetings of stockholders shall also apply to stockholders seeking to propose director nominations at such a special meeting.

- Special Meetings of Directors: The Amended and Restated Bylaws provide that notice of any special meeting of our Board of Directors shall be sent to each director either (a) by reputable overnight delivery service to his or her residence or usual place of business in circumstances to which such service guarantees next day delivery, not later than on the day that is the second business day immediately preceding the day of such meeting, or (b) by electronic mail or other electronic means, not later than twenty-four (24) hours before the time of such meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

- Miscellaneous: The Amended and Restated Bylaws also incorporate various other "clean-up" changes, including, but not limited to, grammatical and other typographical corrections, formatting changes, revisions to headings, titles, and captions, and providing capitalized definitions for certain terms.

The foregoing summary is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, a copy of which is filed as an exhibit to the Company's Form 8-K filed on July 23, 2026.

Equity Awards

On July 30, 2026, the Board of Directors granted an aggregate of 273,934 restricted stock units ("RSUs") to members of the Board in satisfaction of the equity compensation previously owed to each non-employee director for the fiscal years 2024 and 2025 and through July 2026 under our non-employee director compensation policy. Each RSU represents a contingent right to receive one share of Class A Common Stock and vests on January 1, 2027 (or for one director, 50% on January 1, 2027 and 50% on July 1, 2027), or earlier upon the occurrence of a change of control, subject to each director's continued service through the applicable vesting date.

Trends and Factors Affecting Our Business

Product Release Schedule

Our financial results are impacted by the timing of our product releases and the commercial success of those titles. Our recent product releases include:

Title	Release Date and Platform
Le Mans Ultimate	February 20, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 1	July 23, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 2	September 24, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 3	December 10, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 4	February 25, 2025, available on PC
Le Mans Ultimate – 2024 DLC Pack 5	June 10, 2025, available on PC
Le Mans Ultimate – Version 1.0 Release	July 22, 2025, available on PC
Le Mans Ultimate – ELMS Pack 1 and Version 1.1 Release	September 23, 2025, available on PC
Le Mans Ultimate – ELMS Pack 2 and Version 1.2 Release	December 9, 2025, available on PC
Le Mans Ultimate – ELMS Pack 3 and Version 1.3 Release	March 31, 2026, available on PC
Le Mans Ultimate – U.S. Track Pack 1 and Version 1.4	July 28, 2026, available on PC
Le Mans Ultimate – U.S. Track Pack 2 and Version 1.4.2	September 22, 2026, available on PC

We continually evaluate our planned product release schedule and modify the timing of upcoming products based on developments in our business, or if we believe it will result in a better consumer experience.

Concentration of Sales

Revenues associated with our Le Mans Ultimate franchise accounted for approximately 75.1% and 75.4% of our total revenue for the three months ended September 30, 2026 and 2025, respectively, and for approximately 75.4% and 77.2% of our total revenue for the nine months ended September 30, 2026 and 2025, respectively. We aim to explore ways to capitalize on new trends and diversify our product mix.

Digital Business

Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs. All of our titles that are available through retailers as packaged goods products are also available through direct digital download. For the three and nine months ended September 30, 2026 and 2025, substantially all of our revenue from sales of video games for PCs was through digital channels. We believe this trend of increasing direct digital downloads is primarily due to benefits relating to convenience and accessibility that digital downloads provide. In addition, as part of our digital business strategy, we aim to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases and extra content.

Esports

We generate esports revenues from organizing and facilitating esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party racing game developers and publishers. In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. Although we have not organized Le Mans Virtual Series during the past few seasons, we have facilitated Esports events for others during this year. We also intend to continue exploring opportunities to expand our Esports segment outside of Le Mans. During the three and nine months ended September 30, 2026, we generated esports revenues from facilitating esports events on behalf of others.

Recurring Revenue Sources

Our business model includes revenue that we deem recurring in nature, which consists primarily of revenue from our annualized video game racing franchise for PC, as well as our RaceControl subscription service. We historically have been able to forecast the revenue from this area of our business with greater relative confidence than for new games, services, and business models. As we continue to incorporate new business models and modalities of play into our games, our goal is to continue to look for opportunities to expand the recurring portion of our business, including through subscriptions. We plan to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases, RaceControl subscription offerings and extra content. As of September 30, 2026, we had more than 45,000 paid RaceControl subscribers. RaceControl revenues were approximately $2.0 million and $0.7 million for the nine months ended September 30, 2026 and 2025, respectively.

Reportable Segments

We use the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by our chief operating decision maker for making operating decisions and assessing performance as the source for determining our reportable segments. Our chief operating decision maker is our Chief Executive Officer (“CEO”), who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. We classified our reportable operating segments into (i) the development and publishing of interactive racing video games, entertainment content and services (the “Gaming segment”) and (ii) the organization and facilitation of esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party video game racing series and other video game publishers (the “Esports segment”).

Components of Our Results of Operations

Revenues

We derive substantially all our revenue from sales of our games and related extra content that can be played by customers on a PC platform. We also generate sponsorship revenues from our production of live and virtual esports events. We also offer software development services for racing simulators and offer a subscription service via RaceControl, our matchmaking and online racing platform.

Our product and service offerings included within the Gaming segment primarily include PCs with both online and offline functionality, which generally include:

- the initial game delivered digitally at the time of sale, which also typically provides access to offline core game content;
- updates to previously released games on a when-and-if-available basis, such as software patches or updates, and/or additional content to be delivered in the future, both paid and free; and
- outsourced code and content development services.

Our product and service offerings included within the Esports segment relate primarily to curating esports events.

Cost of Revenues

Cost of revenues for our Gaming segment is primarily comprised of royalty expenses, license fees, web hosting costs and amortization of certain acquired license agreements and other intangible assets acquired through our various acquisitions and internally-developed software. Furthermore, cost of revenues for our Gaming segment includes costs associated with our outsourced code and content development services. Cost of revenues for our Esports segment consists primarily of the cost of event staffing and event production.

Sales and Marketing

Sales and marketing expenses are primarily composed of salaries, benefits and related taxes of our in-house marketing teams, advertising, marketing, and promotional expenses, including fees paid to social media platforms and other websites where we market our products.

Development

Development expenses consist of the cost to develop the games we produce, which includes salaries, benefits, and operating expenses of our in-house development teams, as well as consulting expenses for any contracted external development. Development expenses also include expenses relating to our software licenses, maintenance, and studio operating expenses. Costs incurred internally in developing a software product to be marketed or sold to external users are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, software costs are capitalized until the product is available for general release to customers. Technological feasibility for our software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products.

General and Administrative

General and administrative expenses consist primarily of salaries, benefits and other costs associated with our operations including finance, human resources, information technology, public relations, legal, audit and compliance fees, facilities, and other external general and administrative services.

Depreciation and Amortization

Depreciation and amortization expenses include depreciation on fixed assets (primarily computers and office equipment), as well as amortization of certain definite lived intangible assets acquired through our various acquisitions.

Results of Operations

Three Months Ended September 30, 2026 compared to Three Months Ended September 30, 2025

Revenues

	For the Three Months Ended September 30,		Change	
	2026	**2025**	**$**	**%**
Revenues:				
Gaming	$ 3,649,818	$ 3,100,018	$ 549,800	17.7%
Esports	125,611	-	125,611	-%
Total Revenues	$ 3,775,429	$ 3,100,018	$ 675,411	21.8%

Consolidated revenues were $3.8 million and $3.1 million for the three months ended September 30, 2026 and 2025, respectively, an increase of $0.7 million, or 21.8%, when compared to the prior period. The increase in Gaming segment revenues was primarily due to a $0.5 million increase in sales of Le Mans Ultimate, as well as a $0.2 million increase in RaceControl subscriptions, offset by a $0.1 million decrease in sales of our rFactor 2 title compared to the three months ended September 30, 2025.

Esports revenues during the three months ended September 30, 2026 were approximately $126,000 and are the result of facilitating esports events for partners using our Le Mans Ultimate title.

Cost of Revenues

	For the Three Months Ended September 30,		Change	
	2026	2025	$	%
Cost of revenues:				
Gaming	$ 426,769	$ 597,817	$ (171,048)	(28.6)%
Esports	24,660	-	24,660	-%
Total Cost of Revenues	$ 451,429	$ 597,817	$ (146,388)	(24.5)%

Consolidated cost of revenues was $0.5 million and $0.6 million for the three months ended September 30, 2026 and 2025, respectively, a decrease of $0.1 million, or 24.5%, when compared to the same period in the prior year.

The decrease in Gaming segment cost of revenues was mainly driven by decreases in developed technology amortization of approximately $0.1 million when compared to the same period in the prior year.

Cost of revenues for the Esports segment during the three months ended September 30, 2026 of approximately $25,000 was related to expenses incurred facilitating esports events for partners using our Le Mans Ultimate title.

Gross Profit

	For the Three Months Ended September 30,		Change	
	2026	2025	$	%
Gross Profit:				
Gaming	$ 3,223,049	$ 2,502,201	$ 720,848	28.8%
Esports	100,951	-	100,951	-%
Total Gross Profit	$ 3,324,000	$ 2,502,201	$ 821,799	32.8%

	For the Three Months Ended September 30,	
	2026	2025
Gaming - Gross Profit Margin	88.3%	80.7%
Esports - Gross Profit Margin	80.4%	NM
Total Gross Profit Margin	88.0%	80.7%

NM = not meaningful

Consolidated gross profit was $3.3 million and $2.5 million for the three months ended September 30, 2026 and 2025, respectively, an increase of $0.8 million, or 32.8%, when compared to the prior period. Gross profit margin was 88.0% in the three months ended September 30, 2026, compared to 80.7% in the three months ended September 30, 2025. The increase in our Gaming segment gross profit of $0.7 million, and increase in gross profit margin, was primarily due to higher revenues and decreases in developed technology amortization, compared to the same period in the prior year.

Gross profit for the Esports segment during the three months ended September 30, 2026 of approximately $101,000 was related to revenues earned facilitating esports events for partners using our Le Mans Ultimate title.

Operating Expenses

	For the Three Months Ended September 30,		Change	
	2026	2025	$	%
Operating Expenses:				
Sales and marketing	$ 237,005	$ 136,024	$ 100,981	74.2%
Development	112,589	418,912	(306,323)	(73.1)%
General and administrative	1,749,092	1,142,867	606,225	53.0%
Depreciation and amortization	7,520	9,450	(1,930)	(20.4)%
Total Operating Expenses	$ 2,106,206	$ 1,707,253	$ 398,953	23.4%

Changes in operating expenses are explained in more detail below:

Sales and Marketing

Sales and marketing expenses were $0.2 million and $0.1 million for the three months ended September 30, 2026 and 2025, respectively, representing a $0.1 million, or 74.2%, increase when compared to the prior period. The increase in sales and marketing expenses was primarily driven by a $0.1 million increase in payroll and employee-related expenses when compared to the prior period.

Development

Development expenses were $0.1 million and $0.4 million for the three months ended September 30, 2026 and 2025, respectively, representing a $0.3 million, or 73.1%, decrease when compared to the prior period. The decrease in development expenses was primarily due to a $0.7 million payment received under the United Kingdom’s video games tax credit program, partially offset by a $0.2 million increase in payroll costs, and a $0.2 million increase in web hosting costs and employee-related expenses, when compared to the prior period.

General and Administrative

General and administrative ("G&A") expenses were approximately $1.7 million and $1.1 million for the three months ended September 30, 2026 and 2025, respectively, an increase of $0.6 million, or 53.0%, when compared to the prior period. The increase in G&A expenses was primarily driven by a $0.4 million increase in professional fees and a $0.1 million increase in stock compensation relating to the amortization of RSUs and PSUs during the period, net of a reversal of compensation expense as a result of the replacement of the directors equity compensation obligations, as well as a $0.1 million increase in filing and tax expenses when compared to the prior period.

Depreciation and Amortization

Depreciation and amortization expenses for the three months ended September 30, 2026 and 2025 reflect no significant changes to the depreciation of capital assets.

Other Operating Income

Other operating income for the three months ended September 30, 2026 and 2025 presented no significant changes.

Interest Expense

Interest expense was approximately $24,000 and $1,000 for the three months ended September 30, 2026 and 2025, respectively. Interest expense in the three months ended September 30, 2026 primarily relates to charges incurred as part of the business loan agreement with Citibank, N.A.

Other Expense, net

Other expense, net was $64,000 for the three months ended September 30, 2026, compared to other expense, net of $29,000 for the three months ended September 30, 2025, an increase of $35,000 compared to the prior period. Other expense, net was primarily comprised of foreign currency losses arising from remeasuring transactions denominated in a currency other than U.S. Dollars.

Provision for Income Taxes

Provision for income taxes of $0.5 million for the three months ended September 30, 2026 primarily relates to corporate tax expenses incurred by Studio397, our Dutch subsidiary, which mainly generated profit from foreign currency gains.

Other Comprehensive Income (Loss)

Other comprehensive income was approximately $33,000 for the three months ended September 30, 2026, compared to other comprehensive income of approximately $456,000 for the three months ended September 30, 2025. The decrease of approximately $423,000 was primarily due to activity in our U.K. and Netherlands subsidiaries and represents foreign currency translation adjustments.

Net Income (Loss) Attributable to Non-Controlling Interest

Net income (loss) attributable to non-controlling interest was approximately $0.3 million and ($21,000) for the three months ended September 30, 2026 and 2025, respectively, and is attributed to the Le Mans Esports Series Ltd joint venture. Under the terms of this joint venture, we agreed to fund up to €8,000,000 (approximately $9,087,000 as of September 30, 2026) as needed for development of video game products, which was fully funded as of September 30, 2026. We have recouped our investment and are now allocating the distribution of profits and losses to the joint venture licensor, pursuant to the terms of the Le Mans Esports Series Ltd joint venture agreement.

Nine Months Ended September 30, 2026 compared to Nine Months Ended September 30, 2025

Revenues

	For the Nine Months Ended September 30,		Change	
	2026	2025	$	%
Revenues:				
Gaming	$ 11,184,792	$ 7,450,311	$ 3,734,481	50.1%
Esports	161,888	-	161,888	-%
Total Revenues	$ 11,346,680	$ 7,450,311	$ 3,896,369	52.3%

Consolidated revenues were $11.3 million and $7.4 million for the nine months ended September 30, 2026 and 2025, respectively, an increase of $3.9 million, or 52.3%, when compared to the prior period. The increase in Gaming segment revenues was primarily due to a $2.8 million increase in sales of Le Mans Ultimate, particularly from downloadable content revenues, as well as a $1.3 million increase in RaceControl subscriptions, offset by a $0.2 million decrease in sales of our rFactor 2 and KartKraft game titles, compared to 2025.

Esports revenues during the nine months ended September 30, 2026 were approximately $162,000 and are the result of facilitating esports events for partners using our Le Mans Ultimate title.

Cost of Revenues

	For the Nine Months Ended September 30,		Change	
	2026	2025	$	%
Cost of revenues:				
Gaming	$ 1,523,183	$ 1,518,090	$ 5,093	0.3%
Esports	89,811	-	89,811	-%
Total Cost of Revenues	$ 1,612,994	$ 1,518,090	$ 94,904	6.3%

Consolidated cost of revenues was $1.6 million and $1.5 million for the nine months ended September 30, 2026 and 2025, respectively, an increase of $0.1 million, or 6.3%, when compared to the same period in the prior year.

Gaming segment cost of revenues for the nine months ended September 30, 2026 and 2025 presented no significant changes.

Esports cost of revenues during the nine months ended September 30, 2026 of $0.1 million was related to expenses incurred facilitating esports events for partners using our Le Mans Ultimate title.

Gross Profit

	For the Nine Months Ended September 30,		Change	
	2026	2025	$	%
Gross Profit:				
Gaming	$ 9,661,609	$ 5,932,221	$ 3,729,388	62.9%
Esports	72,077	-	72,077	-%
Total Gross Profit	$ 9,733,686	$ 5,932,221	$ 3,801,465	64.1%

	For the Nine Months Ended September 30,	
	2026	2025
Gaming - Gross Profit Margin	86.4%	79.6%
Esports - Gross Profit Margin	44.5%	NM
Total Gross Profit Margin	85.8%	79.6%

NM = not meaningful

Consolidated gross profit was $9.7 million and $5.9 million for the nine months ended September 30, 2026 and 2025, respectively, an increase of $3.8 million, or 64.1%, when compared to the prior period. Gross profit margin was 85.8% in the nine months ended September 30, 2026, compared to 79.6% in the nine months ended September 30, 2025. The increase in our Gaming segment gross profit of $3.7 million, and increase in gross profit margin, was primarily due to higher revenues and decreases in amortization, partially offset by increases in web hosting and license fees, compared to the prior period.

Gross profit for the Esports segment during the nine months ended September 30, 2026 of approximately $72,000 was related to revenues earned facilitating esports events for partners using our Le Mans Ultimate title.

Operating Expenses

	For the Nine Months Ended September 30,		Change	
	2026	2025	$	%
Operating Expenses:				
Sales and marketing	$ 638,674	$ 360,032	$ 278,642	77.4%
Development	1,364,154	1,291,208	72,946	5.6%
General and administrative	4,769,104	3,176,389	1,592,715	50.1%
Impairment of intangible assets	27,928	-	27,928	-%
Depreciation and amortization	21,347	39,273	(17,926)	(45.6)%
Total Operating Expenses	$ 6,821,207	$ 4,866,902	$ 1,954,305	40.2%

Changes in operating expenses are explained in more detail below:

Sales and Marketing

Sales and marketing expenses were $0.6 million and $0.4 million for the nine months ended September 30, 2026 and 2025, respectively, representing a $0.3 million, or 77.4%, increase when compared to the prior period. The increase in sales and marketing expenses was primarily driven by a $0.2 million increase in payroll and employee-related expenses when compared to the prior period.

Development

Development expenses were $1.4 million and $1.3 million for the nine months ended September 30, 2026 and 2025, respectively, representing a $0.1 million, or 5.6%, increase when compared to the prior period. The increase in development expenses was primarily driven by a $0.1 million increase in software-related costs, when compared to the prior period.

General and Administrative

General and administrative ("G&A") expenses were $4.8 million and $3.2 million for the nine months ended September 30, 2026 and 2025, respectively, an increase of $1.6 million, or 50.1%, when compared to the prior period. The increase in G&A expenses was primarily driven by a $0.6 million increase in professional fees, a $0.5 million increase in stock-based compensation relating to director and officer equity awards, as well as a $0.4 million increase in payroll-related expenses, and a $0.1 million increase in Board fees, compared to the prior period.

Impairment of Intangible Assets

Impairment of intangible assets of $28,000 during the nine months ended September 30, 2026 relates to the impairment of a domain name no longer used.

Depreciation and Amortization

Depreciation and amortization expenses for the nine months ended September 30, 2026 and 2025 reflect no significant changes to the depreciation of capital assets.

Other Operating Income

Other operating income of $1.6 million for the nine months ended September 30, 2025 primarily includes $0.8 million from the Wesco Insurance Company settlement, $0.5 million from a settlement agreement with HC2 Holdings 2 Inc. (now known as Innovate 2) and $0.3 million related to discounts negotiated on a few outstanding vendor invoices.

Interest Expense

Interest expense was approximately $43,000 and $19,000 for the nine months ended September 30, 2026 and 2025, respectively. Interest expense during the nine months ended September 30, 2026 primarily relates to charges incurred as part of the business loan agreement with Citibank, N.A. Interest expense in the nine months ended September 30, 2025 is mainly from non-cash interest accretion of purchase commitment liabilities relating to the acquisition of Studio397 in April 2021.

Other (Expense) Income, net

Other expense, net was $0.5 million for the nine months ended September 30, 2026, compared to other income, net of $3.4 million for the nine months ended September 30, 2025, a decrease of $3.9 million compared to the prior period. Other expense, net of $0.5 million in the nine months ended September 30, 2026 is primarily comprised of foreign currency losses arising from remeasuring transactions denominated in a currency other than U.S. Dollars. Other income, net of $3.4 million for the nine months ended September 30, 2025 was primarily comprised of $3.2 million in foreign currency gains arising from remeasuring transactions denominated in a currency other than U.S. Dollars and a $0.2 million gain from the Settlement Agreement entered into with Luminis on February 20, 2025.

Other Comprehensive Income (Loss)

Other comprehensive income was approximately $0.2 million for the nine months ended September 30, 2026, compared to other comprehensive loss of $2.7 million for the nine months ended September 30, 2025. Other comprehensive loss in the nine months ended September 30, 2025 primarily relates to activity in our U.K. and Netherlands subsidiaries and represents foreign currency translation adjustments.

Net Income (Loss) Attributable to Non-Controlling Interest

Net income (loss) attributable to non-controlling interest was approximately $0.8 million and ($59,000) for the nine months ended September 30, 2026 and 2025, respectively, and is attributed to the Le Mans Esports Series Ltd joint venture. Under the terms of this joint venture, we agreed to fund up to €8,000,000 (approximately $9,087,000 as of September 30, 2026) as needed for development of video game products, which was fully funded as of September 30, 2026. We have recouped our investment and are now allocating the distribution of profits and losses to the joint venture licensor, pursuant to the terms of the Le Mans Esports Series Ltd joint venture agreement.

Liquidity and Capital Resources

Liquidity

Since our IPO in 2021, we have financed our operations primarily through cash generated from operations, advances from lines of credit, and sales of our equity securities. We have entered into a line of credit with Citibank, N.A. ("Citibank") that will provide us with up to $3.0 million subject to our meeting the requirements for its use. As of September 30, 2026, we had $1.8 million available under the line of credit with Citibank.

We measure our liquidity in a number of ways, including the following:

	September 30, 2026	December 31, 2025
Cash and cash equivalents	$ 5,378,937	$ 4,993,390
Working capital	$ 4,191,709	$ 4,221,682

For the nine months ended September 30, 2026, we generated net income of $1.9 million and positive cash flows from operations of approximately $4.1 million, or an average of approximately $0.5 million per month, primarily due to increased profitability and the capitalization of internally-developed software. As of September 30, 2026, we had an accumulated deficit of $84.3 million and cash and cash equivalents of $5.4 million. We expect that our cash on hand, cash to be generated from operations and availability on our line of credit will fund our operations for at least one year from the date the condensed consolidated financial statements are issued. Our future liquidity and capital requirements include funds to support the planned costs to operate our business, including amounts required to fund working capital, support the development and introduction of new products and maintain existing titles, and certain capital expenditures.

Historically, we have financed our operations primarily through revenue generated from operations, loans and sales of our securities, and we expect to continue to seek and obtain additional capital in a similar manner. There can be no assurance that we will be able to raise funds by selling additional securities, which sales, if successful, could dilute the ownership interest of our existing stockholders. The issuance of debt, such as our line of credit with Citibank, can result in restrictive covenants that limit operations. If funding is not available or not available at terms acceptable to us, we will seek to further reduce overhead costs and our cash obligations in the short term, as needed. In addition, we may look to divest or bring in equity partners for our various divisions and bring in near term capital.

Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2026 and 2025 was $4.1 million and $2.8 million, respectively. Net cash provided by operating activities for the nine months ended September 30, 2026 was primarily the result of net income of $1.9 million, adjusted for net non-cash adjustments of $1.6 million and $0.6 million of cash from changes in the levels of operating assets and liabilities. Net cash provided by operating activities for the nine months ended September 30, 2025 was primarily the result of net income of $6.0 million, offset by net non-cash adjustments of $2.7 million and $0.5 million of cash used by changes in the levels of operating assets and liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2026 and 2025 was approximately $1.7 million and $0.7 million, respectively, primarily related to capitalization of internally-developed software.

Cash Flows from Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2026 was $1.9 million, resulting from $3.7 million of cash used for the repurchase of stock, and $0.3 million of payments on notes payable, partially offset by $1.2 million in proceeds from a Citibank line of credit drawdown and $0.9 million in proceeds from the exercise of warrants. Net cash flows provided by financing activities during the nine months ended September 30, 2025 of $1.0 million were primarily attributable to $2.3 million raised in connection with shares sold in a private placement offering in April 2025, partially offset by a $0.8 million payment for purchase commitments, $0.5 million of payments on notes payable and $0.1 million of equity issuance costs.

Citibank Line of Credit

On February 20, 2026, we entered into a business loan agreement with Citibank, and on June 15, 2026 we entered into an Amendment to the Business Loan Agreement (as amended, the "Credit Agreement"). Pursuant to the Credit Agreement, Citibank provided us with a revolving line of credit of up to $3.0 million at an interest rate equal to the Adjusted Term SOFR (as defined in the Credit Agreement) plus 2.25%, subject to increase upon an event of default. The Adjusted Term SOFR has a floor of 0.75%. The revolving line of credit is evidenced by a promissory note that we issued to Citibank on February 20, 2026, which we amended on June 15, 2026 (as amended, the "Citibank Promissory Note"), in the principal amount of up to $3.0 million. The Citibank Promissory Note has a stated maturity date of February 20, 2028. We also entered into a commercial security agreement pursuant to which we granted Citibank a lien on substantially all of our assets. The Credit Agreement includes certain affirmative covenants related to conducting our business and maintaining certain levels of cash flow and fixed charges, including a requirement to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) in excess of 1.200 to 1.000 and a Cash Flow Leverage Ratio (as such term is defined in the Credit Agreement) not in excess of 2.500 to 1.000. The Credit Agreement also contains negative covenants including prohibitions on the creation or existence of any liens or security interests on our assets. The Credit Agreement also contains events of default, including failure to make payments under the Citibank Promissory Note or any related documents, failure to comply with covenants, obligations or conditions contained in the Citibank Promissory Note or any related document, defaults under other loans, extension of credit or security agreement and any change in our ownership of twenty-five percent (25%) or more of our common stock. The occurrence of an event of default can result in the exercise of remedies including an increase in the applicable rate of interest by 3.00% and declaration that all outstanding amounts owed under the Citibank Promissory Note immediately become due and payable. As of September 30, 2026, the balance due to Citibank under the Credit Agreement was $1.2 million and there was $1.8 million of available capacity. As of September 30, 2026, we were in compliance with all covenants related to the Credit Agreement.

Other Financing Activity

On July 29, 2024, we completed a registered direct offering and a concurrent private placement (the "July 2024 Offerings") with certain investors, which raised approximately $1.0 million in gross proceeds (the "$1.0 million RDO") before deducting $0.1 million in placement agent's fees and other offering expenses. In connection with the $1.0 million RDO, we issued Series A warrants (the "Series A Warrants") to purchase up to 460,830 shares of Class A common stock and Series B warrants (the "Series B Warrants," and collectively with the Series A Warrants, the "Purchase Warrants") to purchase up to 460,830 shares of Class A common stock. The Series A Warrants and the Series B Warrants both have an exercise price of $2.17 per share. The shares of Class A common stock issuable upon the exercise of the Purchase Warrants are collectively referred to as the "Warrant Shares." The Purchase Warrants became exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the Purchase Warrants (the "Stockholder Approval Date"), which approval was obtained on April 23, 2026. The Series A Warrants will expire on October 23, 2031 and the Series B Warrants will expire on October 25, 2027.

H.C. Wainwright & Co., LLC acted as the exclusive placement agent for the July 2024 Offerings, and we issued to its designees warrants to purchase up to 27,650 shares of Class A common stock (the "Placement Agent Warrants") as compensation. The Placement Agent Warrants will expire on July 26, 2029.

On April 11, 2025, we entered into securities purchase agreements (the "April Purchase Agreements") with several institutional and accredited investors for the issuance and sale in a private placement (the "April Private Placement") of the following securities for gross proceeds of approximately $2.5 million: (i) 1,894,892 shares of our Class A common stock and (ii) a pre-funded warrant (the "April Pre-Funded Warrant") to purchase up to 377,836 shares of our Class A common stock at an exercise price of $0.0001 per share. The purchase price for one share of Class A common stock was $1.10 and the purchase price for one pre-funded warrant was $1.0999 per share. We received net proceeds of approximately $2.35 million from the April Private Placement, after deducting offering expenses paid by us. The April Pre-Funded Warrant became exercisable commencing on May 29, 2025, and will not expire until exercised in full.

The April Purchase Agreements provided that our Board of Directors (the "Board") would appoint an individual designated by the purchasers that purchased at least 50.1% in interest of the shares of Class A common stock and pre-funded warrants issued in the April Private Placement based on the initial subscription amounts under the April Purchase Agreements to serve as a Class II director on the Board for a term expiring at our 2026 annual meeting of stockholders. In accordance with the foregoing, Mr. Guoquan (Paul) Huang was appointed to the Board effective as of April 16, 2025, and was elected to the Board at our 2026 annual meeting of stockholders on April 23, 2026. The April Purchase Agreements further provide that the purchasers holding a 50.1% interest in the securities issued upon closing of the April Private Placement shall have the right to appoint an individual to our management team, subject to Board approval.

Capital Expenditures

The nature of our operations does not require significant expenditures on capital assets, nor do we typically enter into significant commitments to acquire capital assets. We do not have material commitments to acquire capital assets as of September 30, 2026.

Material Cash Requirements

Except as described above under "Citibank Line of Credit," there have been no material changes in our reported material cash requirements as described under "Liquidity and Capital Resources – Material Cash Requirements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the 2025 Form 10-K.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any relationships with any organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

There have been no material changes to the items disclosed as critical accounting policies and estimates under "Critical Accounting Policies and Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the 2025 Form 10-K.

Recently Issued Accounting Standards

As an "emerging growth company", we may, under the JOBS Act, delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are applicable to private companies. We will no longer be considered an EGC as of December 31, 2026. We have elected to use this extended transition period under the JOBS Act until such time as we are no longer considered to be an emerging growth company.

Our analysis of recently issued accounting standards is more fully described in our condensed consolidated financial statements included elsewhere in this Report.

Non-GAAP Financial Measures

Adjusted EBITDA and Non-GAAP Adjusted Diluted Net Income Per Share

Adjusted EBITDA, a measure used by management to assess the Company's operating performance, is defined as EBITDA, which is net income plus interest expense, provision for income taxes, depreciation and amortization, less income tax benefit (if any), adjusted to exclude: (i) gain from settlement of license liabilities and other agreements; (ii) gain from sale of gaming licenses; (iii) impairment of intangible assets; (iv) loss contingency expenses; (v) loss (gain) on foreign exchange rates; (vi) expenses related to the implementation of a Share Rights Plan; and (vii) stock-based compensation expenses.

Non-GAAP Adjusted diluted net income per share, another measure used by management to assess the Company's operating performance, is defined as diluted net income per share plus depreciation and amortization, adjusted to exclude: (i) gain from settlement of license liabilities and other agreements; (ii) gain from sale of gaming licenses; (iii) impairment of intangible assets; (iv) loss contingency expenses; (v) loss (gain) on foreign exchange rates; (vi) expenses related to the implementation of a Share Rights Plan; and (vii) stock-based compensation expenses.

Adjusted EBITDA and Non-GAAP Adjusted diluted net income per share (the "Non-GAAP Measures") are not financial measures defined by U.S. generally accepted accounting principles ("U.S. GAAP"). Reconciliations of these Non-GAAP Measures to net income and diluted net income per share, their most directly comparable financial measures, calculated and presented in accordance with U.S. GAAP, are presented in the tables below. We use the Non-GAAP Measures to manage our business and evaluate our financial performance, as Adjusted EBITDA and Non-GAAP Adjusted diluted net income per share eliminate items that affect comparability between periods that we believe are not representative of our core ongoing operating business. Additionally, we believe that using the Non-GAAP Measures is useful to our investors because it enhances investors' understanding and assessment of our normalized operating performance and facilitates comparisons to prior periods and our competitors' results (who may define Adjusted EBITDA and Non-GAAP Adjusted diluted net income per share differently).

The Non-GAAP Measures are not recognized terms under U.S. GAAP and do not purport to be an alternative to revenue, income/loss from operations, net income, or cash flows from operations or as a measure of liquidity or any other performance measure derived in accordance with U.S. GAAP. Additionally, the Non-GAAP Measures are not intended to be measures of free cash flows available for our discretionary use, as they do not consider certain cash requirements, such as interest payments, tax payments, working capital requirements and debt service requirements. The Non-GAAP Measures have limitations as an analytical tool, and investors should not consider them in isolation or as a substitute for our results as reported under U.S. GAAP. Management compensates for the limitations of using the Non-GAAP Measures by using them to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting the business than would be presented by using only measures in accordance with U.S. GAAP. Because not all companies use identical calculations, the Non-GAAP Measures may not be comparable to other similarly titled measures of other companies.

The tables below provide reconciliations between net income and adjusted EBITDA, and diluted net income per share and Non-GAAP Adjusted diluted net income per share:

	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025
Net income	$ 678,127	$ 768,537
Interest expense, net	23,922	1,434
Provision for taxes	451,870	-
Depreciation and amortization (1)	192,629	289,396
EBITDA	1,346,548	1,059,367
Loss (gain) on foreign exchange rates	190,998	(31,655)
Expenses related to the implementation of a Share Rights Plan	158,653	-
Stock-based compensation	109,877	-
Adjusted EBITDA	$ 1,806,076	$ 1,027,712

(1) Includes $185,109 and $279,945 of amortization expenses included in cost of revenues for the three months ended September 30, 2026 and 2025, respectively.

Reconciliation between GAAP and Non-GAAP Adjusted diluted net income per share:

	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025
Diluted net income per share	$ 0.06	$ 0.14
Depreciation and amortization	0.04	0.05
Loss (gain) on foreign exchange rates	0.04	(0.01)
Expenses related to the implementation of a Share Rights Plan	0.03	-
Stock-based compensation	0.02	-
Non-GAAP Adjusted diluted net income per share	$ 0.19	$ 0.18

	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Net income	$ 1,872,899	$ 6,029,322
Interest expense, net	43,018	19,184
Provision for taxes	451,870	-
Depreciation and amortization (1)	605,727	795,387
EBITDA	2,973,514	6,843,893
Gain from settlement of purchase commitment liabilities	-	(175,460)
Gain from HC2 Holdings 2 Inc. Settlement Agreement	-	(500,000)
Gain from Wesco Settlement Agreement	-	(800,000)
Impairment of intangible assets	27,928	-
Loss (gain) on foreign exchange rates	364,664	(3,334,533)
Expenses related to the implementation of a Share Rights Plan	158,653	-
Stock-based compensation	522,552	-
Adjusted EBITDA	$ 4,047,311	$ 2,033,900

(1) Includes $584,380 and $756,114 of amortization expenses included in cost of revenues for the nine months ended September 30, 2026 and 2025, respectively.

Reconciliation between GAAP and Non-GAAP Adjusted diluted net income per share:

	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Diluted net income per share	$ 0.19	$ 1.32
Depreciation and amortization	0.11	0.17
Gain from settlement of purchase commitment liabilities	-	(0.04)
Gain from HC2 Holdings 2 Inc. Settlement Agreement	-	(0.11)
Gain from Wesco Settlement Agreement	-	(0.17)
Impairment of intangible assets	0.01	-
Loss (gain) on foreign exchange rates	0.07	(0.72)
Expenses related to the implementation of a Share Rights Plan	0.03	-
Stock-based compensation	0.10	-
Non-GAAP Adjusted diluted net income per share	$ 0.51	$ 0.45

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer, Chief Financial Officer and Chief Accounting and Compliance Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2026. Based on this evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Accounting and Compliance Officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2026 because of the material weaknesses in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) as discussed in Part II, Item 9A, "*Controls and Procedures*" of the 2025 Form 10-K, and that continued to exist as of September 30, 2026.

Remediation of Material Weaknesses

We have not yet remediated the material weaknesses relating to (i) our failure to design and maintain effective monitoring procedures and controls to evaluate the effectiveness of our individual control activities; (ii) a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely; and (iii) documentation of certain complex accounting analyses and significant accounting positions that were not contemporaneously reviewed independently of the preparer. We are actively engaged in the design and implementation of remedial measures to address the material weaknesses in our internal control over financial reporting. We are committed to improving our internal control processes and resolving our control deficiencies, including the material weaknesses identified above.

To date, we have taken and will continue to take the actions described below to remediate the identified material weaknesses. As the remediation efforts are ongoing, we will continue to evaluate and work to improve our internal control over financial reporting and may implement additional measures, or modify the remedial actions described below, as considered appropriate, to remediate the identified material weaknesses.

Steps taken to remediate the remaining material weaknesses include actions related to designing and maintaining effective monitoring procedures and controls to evaluate and monitor the effectiveness of our individual control activities, and minimum documentation requirements for significant accounting positions and management estimates, including consideration of underlying assumptions and judgments, where applicable, that are used in the financial statement preparation and reporting process. In addition, we have engaged qualified risk advisory consultants and technical accounting personnel, with experience in evaluating internal controls over financial reporting, along with hiring additional accounting staff, to further assist with our remediation efforts by independently assessing our monitoring procedures and controls, verifying segregation of duties are appropriately considered, and through performing tests of internal controls, verifying reviews over certain complex accounting analyses and significant accounting positions are performed by an independent reviewer, with an appropriate level of accounting knowledge, training, and experience.

We continue to evaluate the design and operating effectiveness of internal controls across various business processes and accordingly, our management plans to continue its efforts to remediate the identified material weaknesses and remains committed to improving our internal control processes, activities and resolving identified deficiencies.

If not remediated, or if we identify further material weaknesses in our internal controls, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our consolidated financial statements and a failure to meet our reporting and financial obligations. We plan to make continued progress in the coming months on the remediation plans described in our 2025 Form 10-K, under Part II, Item 9A, *"Controls and Procedures."*

Limitations on the Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the quarter ended September 30, 2026 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows, except as otherwise disclosed in this Report. In light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period. See Note 9 – *Commitments and Contingencies – Litigation* in our condensed consolidated financial statements in this Report for additional information.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in "Risk Factors" in Part I, Item 1A of the 2025 Form 10-K, which could materially affect our business, financial condition or future results. The risks described in the 2025 Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, or if we identify additional material weaknesses in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and the trading price of our Class A common stock.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. In connection with the audit of our consolidated financial statements for the years ended December 31, 2025 and 2024, we identified certain material weaknesses in our internal control over financial reporting that continue to exist. The material weaknesses identified relate to (i) our failure to design and maintain effective monitoring procedures and controls to evaluate the effectiveness of our individual control activities; (ii) a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely; and (iii) documentation of certain complex accounting analyses and significant accounting positions that were not contemporaneously reviewed independently of the preparer. Our Chief Executive Officer, Chief Financial Officer and Chief Accounting and Compliance Officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2026 because of the material weaknesses in our internal control over financial reporting as discussed in Part II, Item 9A, "Controls and Procedures" of the 2025 Form 10-K, and that continue to exist as of September 30, 2026.

If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports and applicable listing requirements, investors may lose confidence in our financial reporting, and the share price of our Class A common stock may decline as a result. In addition, we could become subject to investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional financial and management resources. See Part II, Item 9A – "Controls and Procedures – Management's Annual Report on Internal Control over Financial Reporting" of our Annual Report on Form 10-K for the year ended December 31, 2025 and Item 4 of this Quarterly Report on Form 10-Q for further information on material weaknesses and our remediation plans.

We depend on a relatively small number of franchises for a significant portion of our revenues and profits.

We follow a franchise model and a significant portion of our revenues has historically been derived from products based on a relatively small number of popular franchises, including our *Le Mans Ultimate* franchise, which now accounts for the majority of our revenue. For the three months ended September 30, 2026 and 2025, revenues associated with our *Le Mans Ultimate* franchise accounted for approximately 75% of our total revenue. For the three months ended September 30, 2026, our top three customers accounted for substantially all of our revenues. For the three months ended September 30, 2025, our top two customers accounted for 80% of our revenues. For the nine months ended September 30, 2026 and 2025, revenues associated with our *Le Mans Ultimate* franchise accounted for approximately 75% and 77% of our total revenue, respectively. For the nine months ended September 30, 2026 our top three customers accounted for 89% of our revenues, and for the nine months ended September 30, 2025 our top two customers accounted for 81% of our revenues. No other customer accounted for 10% or more of our revenues in those periods. Our top two customers accounted for approximately 74% of our accounts receivable as of September 30, 2026 and our top four customers accounted for approximately 98% of our accounts receivable as of December 31, 2025. No other customer accounted for 10% or more of our accounts receivable in those periods. A reduction in sales from or loss of these customers would have a material adverse effect on our results of operations and financial condition.

Due to this dependence on a limited number of franchises, the failure to achieve anticipated results by one or more products based on these franchises, or the loss of any franchise, especially our main customers, could negatively impact our business. Additionally, if the popularity of a franchise declines, we may have to write off the unrecovered portion of the underlying intellectual property assets, which could negatively impact our business. In the future, we expect this trend to continue with a relatively limited number of franchises producing a disproportionately high percentage of our revenues and profits.

Certain provisions in our Certificate of Incorporation, our Amended and Restated Bylaws and Delaware law could limit attempts by our stockholders to replace or remove our Board of Directors or current management and limit the market price of our Class A common stock.

Provisions in our Certificate of Incorporation and Amended and Restated Bylaws may have the effect of delaying or preventing changes in our board of directors or management including, but not limited to:

- establishing an advance notice procedure for stockholder proposals to be brought before an annual meeting (other than proposals to be included in our proxy statement pursuant to Rule 14a-8 under the Exchange Act at stockholders' meetings), including proposed nominations of persons for election to our board of directors;
- requiring that stockholders who wish to bring stockholder proposals, including proposed nominations, before an annual meeting comply with the advance notice and procedural requirements set forth in the Amended and Restated Bylaws;
- authorizing an individual acting as chairman of a meeting of our stockholders to, for any or no reason, adjourn or recess any such meeting, and our board of directors to postpone or cancel any such meeting;
- creating a classified board of directors of two staggered classes;
- prohibiting cumulative voting in the election of directors;
- providing our board of directors with the exclusive ability to fill director vacancies;
- prohibiting our stockholders from calling special meetings of stockholders; and
- prohibiting our stockholders from acting by written consent.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder.

Our stockholder rights plan, along with certain provisions of our Certificate of Incorporation and Amended and Restated Bylaws and Delaware law could discourage, delay, or prevent a change in control that stockholders may consider favorable, which could adversely affect the trading price of our Class A Common Stock.

On July 22, 2026, our Board of Directors approved and adopted the Rights Agreement and authorized and declared a dividend distribution of one Right for each outstanding share of the Class A Common Stock to stockholders of record as of the close of business on August 3, 2026. The complete terms of the Rights are set forth in the Rights Agreement, dated as of July 22, 2026, with ClearTrust, LLC, a Florida limited liability company, as rights agent. In general terms, subject to certain exceptions, the Rights Agreement imposes significant dilution upon any person or group (other than us and certain other Exempt Persons (as defined in the Rights Agreement)), that becomes the beneficial owner of twelve and a half percent (12.5%) or more of the Class A Common Stock following our first public announcement of the adoption of the Rights Agreement. The term "beneficial ownership" is defined in the Rights Agreement and includes, among other things, certain derivative arrangements. The significant dilution caused by the exercise of the rights makes an unsolicited acquisition of the Company prohibitively expensive without approval from our Board of Directors. In connection with the Rights Agreement, on July 22, 2026 our Board also designated a new series of participating preferred stock. In addition, the Amended and Restated Bylaws adopted on July 22, 2026, among other things, enhance our advance notice procedures and disclosure requirements for stockholder nominations and proposals. We are also subject to provisions of Delaware law that may have anti-takeover effects.

These provisions, alone or in combination, could make it more difficult, or discourage, a merger, tender offer, or assumption of control by a substantial holder of our securities, or for our stockholders to change the composition of our Board, even in a transaction that some or all of our stockholders might consider to be in their best interests or in which our stockholders might receive a premium over the then-current market price of our Class A Common Stock. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our Class A Common Stock and could adversely affect the market price of our common stock and the ability of our stockholders to realize a premium for their shares.

As a result, third parties may be deterred from pursuing a merger, tender offer, or takeover attempt that stockholders might otherwise deem to be in their best financial interest.

Our Board of Directors has the authority to issue "blank check" preferred stock, which could dilute the voting power and economic rights of holders of our Class A Common Stock and delay or prevent a change in control.

Our Certificate of Incorporation authorizes our Board of Directors to issue up to 1,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, and restrictions thereof—including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, and sinking fund terms—without any further vote or action by the holders of our Class A Common Stock.

The issuance of shares of preferred stock could adversely affect the holders of our Class A Common Stock in several ways, including:

- *Dilution of Voting Power and Ownership*: If preferred shares are issued with super-voting rights or are convertible into a large block of Class A common stock, the voting power of existing holders of our Class A Common Stock will be diluted.

- *Economic Subordination*: Shares of preferred stock typically carry dividend preferences and liquidation preferences over common stock. In the event of a liquidation, dissolution, or winding up of the Company, preferred stockholders would be entitled to receive their contractual distributions before any distribution is made to holders of our Class A Common Stock.

- *Anti-Takeover Effect*: The authority to issue preferred stock without stockholder approval can be used as an anti-takeover defense (such as issuing a new series of preferred stock to a friendly investor or issuing preferred stock pursuant to the Rights Agreement). This could delay, deter, or prevent a merger, tender offer, or change in control that stockholders might otherwise consider to be in their best interests, including transactions that might offer a premium over the prevailing market price of our Class A Common Stock.

As of the date of this filing, our Board of Directors has no immediate plans or commitments to issue any shares of preferred stock other than pursuant to the Rights Agreement. However, we cannot assure you that our Board of Directors will not issue preferred stock in the future.

Actions of activist stockholders could be disruptive and costly and could adversely affect our results of operations, financial condition, and/or share price.

While we strive to maintain constructive communications with our stockholders, we may, from time to time, be subject to demands from activist stockholders. Any activist campaign against the Company that contests, conflicts with, or seeks to change, our Board composition, leadership, strategic direction, or business mix could have an adverse effect on us because: (i) responding to actions by activist stockholders could disrupt our operations, be costly or time-consuming, or divert the attention of our Board of Directors and senior management from their regular duties, including diverting their attention from the operation of our business and the execution of our strategic plans, which could adversely affect our results of operations or financial condition; (ii) perceived uncertainties as to our future direction, including as a result of possible changes to the composition of our Board, may lead to the perception of a change in the direction of the business or lack of continuity, any of which may be exploited by our competitors, cause concern to our customers, employees, and/or business partners and result in the loss of potential business opportunities, or make it more difficult to attract and retain qualified personnel and business partners, and may adversely affect our relationships with vendors, customers, business partners, and other third parties; (iii) these types of actions could cause significant fluctuations in our share price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business; and (iv) if individuals are elected to our Board of Directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders.

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

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the quarter ended September 30, 2026, other than as reported in our Current Reports on Form 8-K filed with the SEC.

Purchases of Equity Securities

We did not purchase any of our equity securities during the quarter ended September 30, 2026.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2026, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a “Rule 10b5–1 trading arrangement” or a “non-Rule 10b5–1 trading arrangement,” each as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
3.1.1	Certificate of Incorporation of Motorsport Games Inc.	S-1/A	333-251501	3.3	1/11/21	
3.1.2	Certificate of Amendment to the Certificate of Incorporation of Motorsport Games Inc.	8-K	001-39868	3.1	11/10/22	
3.1.3	Certificate of Amendment to the Certificate of Incorporation, as amended, of Motorsport Games Inc.	8-K	001-39868	3.1	5/26/26	
3.1.4	Certificate of Designations of Series A Participating Preferred Stock of Motorsport Games Inc. dated July 22, 2026.	8-K	001-39868	3.1	7/23/26	
3.2.1	Bylaws of Motorsport Games Inc.	S-1/A	333-251501	3.4	1/11/21	
3.2.2	Amendment No. 1 to the Bylaws of Motorsport Games Inc.	8-K	001-39868	3.2	11/10/22	
3.2.3	Amendment No. 2 to the Bylaws of Motorsport Games Inc.	8-K	001-39868	3.2	5/26/26	
3.2.4	Amended and Restated Bylaws of Motorsport Games Inc., as adopted on July 22, 2026	8-K	001-39868	3.1	7/23/26	
4.1	Preferred Stock Rights Agreement, dated as of July 22, 2026, by and between Motorsport Games Inc. and ClearTrust, LLC, as Rights Agent	8-K	001-39868	4.1	7/23/26	
10.1#	Form of Director and Officer Indemnification Agreement	10-Q	001-39868	10.7	08/14/26	
10.2#	Form of Restricted Stock Unit Award Agreement	10-Q	001-39868	10.8	08/14/26	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act					X
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)					X

# Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: November 12, 2026

MOTORSPORT GAMES INC.

By: */s/ Stephen Hood*
Stephen Hood
Chief Executive Officer
(Principal Executive Officer)

By: */s/ Peter Hansen-Chambers*
Peter Hansen-Chambers
Chief Financial Officer
(Principal Financial Officer)

By: */s/ Stanley Beckley*
Stanley Beckley
Chief Accounting and Compliance Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen Hood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Motorsport Games Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2026

/s/ Stephen Hood
Stephen Hood
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Hansen-Chambers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Motorsport Games Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2026

/s/ Peter Hansen-Chambers
Peter Hansen-Chambers
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Motorsport Games Inc. (the "Company") for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Stephen Hood, Chief Executive Officer of the Company, and Peter Hansen-Chambers, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2026

/s/ Stephen Hood
Stephen Hood
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2026

/s/ Peter Hansen-Chambers
Peter Hansen-Chambers
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.