

HUUUGE, INC. REPORTS RECORD ADJUSTED EBITDA IN Q3 2022

Huuuge, Inc., a global game developer and publisher of free-to-play games has published its financial results for the 3rd quarter of 2022.

- In Q3 2022 Huuuge generated adjusted EBITDA of USD 24.5m, representing growth of 38.7% YoY and 78.7% QoQ. The company reached record high quarterly profitability with a Q3 2022 adjusted EBITDA margin of 31.6% (vs 19.2% a year ago and 17.2% last quarter).
- The improvement in adjusted EBITDA was achieved with total sales revenue of USD 77.5m (-15.7% YoY, -2.4% QoQ). These results speak to the Company's ability to adapt to the current market realities, where the global mobile games market declined by 12.7% in Q3 2022 versus Q3 2021 according to Sensor Tower.
- In Q3 2022 the adjusted net result increased by 61.1% YoY, to USD 18.4m.
- Core franchises generated USD 71m of revenues in Q3 2022, -11.9% compared to the same quarter last year and a 1% increase vs Q2 2022. Thanks to the major game economy update we rolled out in August as well as a shift towards optimizing user acquisition, Huuuge's flagship titles generated higher revenues vs Q2 2022 despite lower marketing spend.
- *Traffic Puzzle* generated revenues of USD 5.7m in Q3 2022 (-35.2% YoY and -28% QoQ). The decline was associated with a significantly lower user acquisition spend on the game. As declared earlier this year, Huuuge has reduced marketing expenditure for *Traffic Puzzle* as the game undergoes significant architectural changes in order to build out a multi-SKU franchise. The September update to the game was followed by notable improvements in early retention KPIs, and with further updates forthcoming we believe we can increase engagement metrics even more. Encouragingly, September was also the first month to record a positive sales margin for *Traffic Puzzle*.
- DAU for the core franchises in Q3 2022 declined YoY and QoQ. DAU fell by 21.9% YoY to 354,000, reflecting market trends and a stronger internal focus on user acquisition optimization and prioritizing return on investment.



According to **Anton Gauffin, founder and co-CEO of Huuuge**: *"In the third quarter of 2022 we took steps to optimize the earnings efficiency of our core franchises. Thanks to the major game economy update we rolled out in August as well as a shift towards optimizing user acquisition, our flagship titles generated higher revenue quarter-on-quarter, and we achieved this with a lower marketing spend. The effectiveness of our strategy has been reflected in our key monetization metrics, as we increased both Average Revenue per Daily Active User (ARPDau) and Daily Average Revenue per Paying User (ARPPU) for our core franchises quarter-on-quarter. Indeed, ARPDau for these products now stands at a record high, surpassing even the level reached during the pandemic lockdowns."*



Rod Cousens, Co-CEO of Huuuge, added: *"Upgrading our Traffic Puzzle product is one of the key priorities within Huuuge at the moment, as we move away from higher acquisition spends and enhance acquisition indicators. We are pleased to see early signs that our approach is proving effective, as we implement new features to broaden the game into a franchise. By the last month of Q3, we had already achieved a positive sales margin for Traffic Puzzle, and we are committed to building on this in the current and coming quarters."*

KEY FINANCIAL FIGURES

Selected financial data (USD million)	Q3 2022	Q3 2021	Change	9M 2022	9M 2021	Change
Revenue	77.5	92.0	-15.7%	241.0	285.2	-15.5%
Adjusted EBITDA*	24.5	17.7	+38.7%	52.6	43.6	+20.5%
Adjusted EBITDA margin	31.6%	19.2%	+12.4 p.p.	21.8%	15.3%	+6.5 p.p.
Operating result	18.5	11.3	+64.2%	40.4	29.0	+39.1%
Net result	15.3	7.4	+107.4%	32.9	(21.1)	-
Adjusted net result**	18.4	11.4	+61.1%	37.0	27.1	+36.6%

* Adjusted EBITDA is EBITDA adjusted for non-recurring events that are not related to the core activity of the Group and share-based payment expense.

** Adjusted net result defined as the net result for the year adjusted for non-recurring events that are not related to the core activity of the Group, share-based payment expense and financial expenses related to the revaluation of the liability related to Series C preferred shares. Along with conversion of Series C shares into ordinary shares immediately before the public offering conducted in the 1st quarter of 2021, Series C shares will no longer be reported as financial obligations going forward.

Core franchises generated USD 71m of revenues in Q3 2022, -11.9% compared to the same quarter last year and a 1% increase vs Q2 2022. The annual decline resulted from lower marketing spend driving the decline in DAU and DPU, as well as a high base for comparison, given that in 2021 we were still observing Covid-19 related uplift in player monetization metrics (namely ARPPU).

Monthly Conversion for core franchises, which is an indicator of the company's ability to convert players into payers, increased YoY from 9.0% to 10.7% in Q3 2022, which is a record high level in the history of these franchises.

New franchises represented about 8.5% of total revenues in Q3 2022 and 10.7% in the first three quarters of 2022. *Traffic Puzzle*, the main game among the new franchises, generated revenues of USD 22.1m in the first three quarters of 2022, down 10.2% yoy. Huuuge is focusing on implementing architectural changes that will facilitate transforming the game into a multi-SKU franchise.

KEY PERFORMANCE INDICATORS

Selected KPIs	Q3 2022	Q3 2021	Change
DAU [thousands of users]	557.7	769.7	-27.5%
DPU [thousands of users]	21.0	24.4	-13.9%
ARPDau at the Group level [USD]	1.50	1.30	+15.4%
ARPPU—core franchises [USD]	44.41	45.73	-2.9%
Monthly conversion from player to payer %—core franchises	10.7%	9.0%	+1.7 p.p.



According to **Marek Chwałek, EVP Finance of Huuuge**: “Our cash position as of the end of 3Q 22 remained strong, with over USD 193m cash on hand, despite USD 20.1m spent on the Share Buy Back program and USD 29.4m in the last two installments paid for Traffic Puzzle earlier this year. Our strong performance is further reflected in our EBITDA results. Adjusted EBITDA for the first 9 months of this year reached almost USD 53m, an increase of ~21% over the equivalent period last year. At the same time, we increased our adjusted EBITDA margin from 15.3% to 21.8% YoY. We are right on track for achieving full year YoY adjusted EBITDA growth broadly in line with the YoY dynamics observed for 9M22.”

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Play Together.

Huuuge Games is a global game developer and publisher on a mission to build the world’s most social, free-to-play mobile gaming platform.

Huuuge Casino is our flagship title and the world’s first social casino community where users can join together with friends in Clubs to play the best slot machines while competing in leagues. *Billionaire Casino*, our second-largest title, was built on the success of *Huuuge Casino* with over 100 slot machines, set within a different aesthetic.

Huuuge also operates casual titles such as *Traffic Puzzle*, acquired via Huuuge Publishing, a unique puzzle game with elements of match-3. New gaming IP is developed and tested within the Huuuge Ideas Studio.

The company has its headquarters in the US and is listed in Warsaw, Poland, with 9 offices worldwide.