

Huuuge, Inc. announces Q1 2024 financial results

High profitability sustained despite increased marketing spend

Global free-to-play game developer and publisher Huuuge, Inc. today announced its financial results for the first quarter of 2024. The company continued to demonstrate strong financial performance, sustaining high profitability despite increased investments in marketing and user acquisition.

- Huuuge reported revenue of USD 67 million for the first quarter of 2024, a 6.6% decrease year-on-year (and a 4.2% YoY decrease in the core portfolio), in line with the Company's prior guidance of slower performance in the first half of the year and a rebound expected in the second half of 2024.
- Adjusted EBITDA reached USD 21.9 million in the first quarter 2024, a 15.9% decrease from USD 26.1 million in fourth quarter 2023. User acquisition costs nearly doubled year-over-year. However, overall operating expenses remained flat, driven by significant savings in R&D and G&A expenses as well as lower cost of sales (gross margin improved along with the D2C channel expansion).
- Core franchises' main KPIs have stabilized, with DAU showing consecutive growth since second quarter 2023.
- Revenue from the direct-to-consumer (DTC) channel grew to 12% of sales in April, up from 8% in Q1 2024. This increase highlights Huuuge's successful expansion and the growth potential in the DTC segment.
- In April 2024, the Company executed a \$70 million share buyback, the second within nine months. Combined with the \$150 million share buyback completed in 2023, the total value returned to shareholders reached \$220 million.

Core Franchises Performance

Key performance indicators for core franchises have stabilized, with a 2% quarter-on-quarter (QoQ) increase in daily active users (DAU) and a slight 1% decline in daily paying users (DPU). As planned, the company increased marketing spend for its flagship games recently, which has helped reverse the decline in the player base. Going forward, Huuuge doesn't plan to significantly increase user acquisition spending in the upcoming quarters. In the second half of the year, the company also plans to add new features focused on social interactions.

Q1 2024 EBITDA margins remained high

Despite strategic investments in marketing, profitability remains one of the main targets for Huuuge. The adjusted EBITDA margin reached 32.8%, a 3.8 percentage points drop quarter-on-quarter, with adjusted EBITDA reaching USD 21.9 million, a 20.5% decrease from USD 27.6 million in Q1 2023.

USD 70 million share buyback executed in April 2024

Huuuge, Inc. successfully completed its share buyback program announced on March 14, 2024. The company acquired 7,139,797 shares, representing 10.64% of its share capital, for a total of USD 69,999,998. The settlement occurred on April 23, 2024. Shares were bought at a gross price of USD 9.8042 per share. Amounts due to investors were converted from USD to PLN using an exchange rate of 4.05 PLN/USD. The acquired shares were retired by the company on April 26, 2024.

“Huuuge Pods” – an investment in the future

“Huuuge Pods” are small internal teams created by the company in the first quarter of 2023, exclusively focused on developing new games. Achieving success in new games takes time, making this a long-term focus for the company. Two new titles are scheduled for test launches in the second quarter, and one is being tested now. If the tests confirm their commercial potential, the company will increase marketing investments for these games.



Wojciech Wronowski, CEO of Huuuge, Inc. said: “In first quarter 2024, we focused on balancing growth and profitability, managing to sustain high EBITDA margins despite increased marketing spend,” said Wojciech Wronowski, CEO of Huuuge, Inc. “Our strong cash position allows us to continue investing in our core products and explore new growth opportunities.”

KEY FINANCIAL FIGURES

Selected financial data (m USD)	1Q 2024	1Q 2023	Change	1Q 2024	4Q 2023	Change
Revenue	67,0	71,7	-6.6%	67,0	71,3	-6.1%
EBITDA	20,6	27,0	-23.7%	20,6	24,9	17.2%
Adjusted EBITDA*	21,9	27,6	-20.5%	21,9	26,1	-15.9%
Adjusted EBITDA margin	32.8%	38.5%	-5.7pp	32.8%	36.6%	-3.8pp
Operating result	18,1	24,5	-26.0%	18,1	22,6	-19.9%
Net result	16,5	22,4	-26.1%	16,5	19,4	-14.8%
Adjusted net result**	17,9	23,0	-22.2%	17,9	20,6	-13.3%
Adjusted net result margin	26.7%	32.1%	-5.4pp	26.7%	28.9%	-2.2pp

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

** 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, and share-based payment expenses.

KEY PERFORMANCE INDICATORS

Selected KPIs	All games			Core franchises Huuuge Casino and Billionaire Casino		
	1Q 2024	1Q 2023	4Q 2023	1Q 2024	1Q 2023	4Q 2023
DAU ('000)	409.3	468.4	408.1	341.9	344.1	334.7
DPU ('000)	15.7	17.8	16.1	14.8	15.8	15.0
ARPPU (USD)	1.8	1.7	1.9	2.1	2.2	2.3
ARPPU (USD)	46.3	44.0	47.7	48.4	47.6	50.2
Monthly conversion from player to payer (%)	7.1	8.1	7.7	8.2	10.8	8.9

Prospects for 2024 – investments in flagship games and maintaining high profitability

In 2024, HUUUGE plans to invest in its flagship games by introducing new features and maintaining marketing and user acquisition spending at levels similar to those in the first quarter of 2024. Consequently, the adjusted EBITDA and adjusted EBITDA margin may be lower year-on-year, but still remain at a high level – profitability continues to be one of key priorities for the company. In the full-year perspective, HUUUGE anticipates revenue similar to 2023, although the company expects a slight decline in the first half, followed by a projected recovery in the second half. HUUUGE expects non-marketing operating expenses at a similar level or even slightly lower year-on-year.

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HUUUGE Games is a global game developer and publisher of free-to-play mobile games. On our way to become the global leader in real-time free-to-play casual gaming, we aim to redefine the experience to give maximum joy and fun to players all around the world. HUUUGE shares have been listed on the Warsaw Stock Exchange since February 2021.