



Snail, Inc. Reports Fourth Quarter & Full Year 2023 Financial Results

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CULVER CITY, Calif., April 01, 2024 (GLOBE NEWSWIRE) -- Snail, Inc. (NASDAQ: SNAL) ("Snail" or "the Company"), a leading, global independent developer and publisher of interactive digital entertainment, today announced financial results for its fourth quarter and full year ended December 31, 2023.

Jim Tsai, Chief Executive Officer commented, "This past year has been filled with exciting milestones for Snail. We launched *ARK: Survival Ascended*, which sold more than 600,000 units within the first two weeks and surpassed 1.5 million units in sales to date. We are pleased to see the continued engagement in the *ARK* series and plan to build on this momentum in 2024."

Fourth Quarter & Full Year 2023 Highlights

- **ARK: Survival Ascended.** On October 25, 2023, the Company launched its flagship remake of the *ARK* franchise leveraging Unreal Engine 5's stunning graphics and introduced a game-altering cross-platform modding system, ushering in a new era of creativity.
 - *ARK: Survival Ascended* was ranked the top #1 selling game on Steam on launch day.
 - Since its launch, *ARK: Survival Ascended* sold 1.6 million units and has an average of 182,000 daily active users ("DAUs") with a peak of 308,000 DAUs.
- **ARK: Survival Evolved.** In the three months and year ended December 31, 2023, *ARK: Survival Evolved* averaged a total of 192,000 DAUs and 235,000 DAUs, respectively.
 - *ARK: Survival Evolved* units sold increased for the fourth quarter 2023 compared to the same period in 2022; approximately 0.7 million vs. 1.6 million, respectively.
 - Units sold decreased for the year ended December 31, 2023 compared to the same period in 2022; approximately 4.4 million vs. 5.5 million, respectively.

Net revenues for the three months ended December 31, 2023 was \$28.6 million as compared to \$15.3 million in the three months ended December 31, 2022. The increase in net revenues was primarily due to the release of *ARK: Survival Ascended*.

Net revenues for the year ended December 31, 2023 decreased by \$13.5 million to \$60.9 million, or 18.2%, compared to \$74.4 million in the prior year period. The decrease in net revenues was due to a decrease in *Ark Mobile* sales of \$2.9 million, a decrease in one-time deferred revenue from contracts recognized in 2022 of \$10.3 million, one-time payments in 2022 of \$8.5 million related to free download promotions and DLC's, that did not occur in 2023 and an increase in deferred revenues of \$25.2 million related to *Ark*; partially offset by an increase in *Ark* sales of \$32.7 million.

Net income for the three months ended December 31, 2023 was \$2.4 million compared to a net loss of \$2.3 million for the three months ended December 31, 2022. The increase in net income is due to the release of *ARK: Survival Ascended*, reduced general and administrative expenses of \$2.5 million and decreased professional expenses related to compliance with public company requirements and litigation related expenses, partially offset by increased advertising and marketing costs of \$0.9 million related to the *ARK: Survival Ascended* release and a \$3.9 million decrease in the income tax benefit for the period.

Net loss was \$9.1 million for the year ended December 31, 2023 as compared to a net income of \$1.0 million for the year ended December 31, 2022, representing a decrease of \$10.1 million. The decrease was primarily due to decreased revenues of \$13.5 million, increased research and development costs of \$2.2 million, increased advertising and marketing costs of \$0.9 million, increased interest expenses of \$0.6 million, decreased interest income – related party of \$0.6 million, partially offset by a decrease in cost of revenues of \$4.8 million, and a decrease in general and administrative expenses of \$2.9 million.

Bookings for the three months ended December 31, 2023 was \$52.6 million as compared to \$11.9 million for the three months ended December 31, 2022. The increase was due to the strong release of *ARK: Survival Ascended* on the Steam, PlayStation and Xbox platforms.

Bookings for the year ended December 31, 2023 was \$85.7 million as compared to \$63.7 million in the year ended December 31, 2022. The increase was due to the release of *ARK: Survival Ascended* in the fourth quarter of 2023. In addition to increased sales of *ARK: Survival Ascended*, the Company deferred approximately \$22.0 million in revenues during the fourth quarter of 2023 for the *ARK: Survival Ascended* DLC's which have not yet released and had \$10.3 million in one-time deferred contract revenues recognized in 2022 that did not occur in 2023.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the three months ended December 31, 2023 increased by \$8.8 million, or 169%, as compared to the three months ended December 31, 2022. The increase was primarily the result of an increase in net income of \$4.7 million, partially offset by an increase in provision for income taxes of \$3.9 million.

EBITDA for the year ended December 31, 2023 decreased by \$9.0 million, or 1,198.1%, compared to the year ended December 31, 2022, primarily as a result of a decrease in net income of \$10.1 million, partially offset by a decrease in interest income of \$0.7 million and an increase in interest expense

of \$0.6 million.

As of December 31, 2023, unrestricted cash was \$15.2 million versus \$12.9 million as of December 31, 2022.

Use of Non-GAAP Financial Measures

In addition to the financial results determined in accordance with U.S. generally accepted accounting principles, or GAAP, Snail believes Bookings and EBITDA, as non-GAAP measures, are useful in evaluating its operating performance. Bookings and EBITDA are non-GAAP financial measures that are presented as supplemental disclosures and should not be construed as alternatives to net income (loss) or revenue as indicators of operating performance, nor as alternatives to cash flow provided by operating activities as measures of liquidity, both as determined in accordance with GAAP. Snail supplementally presents Bookings and EBITDA because they are key operating measures used by management to assess financial performance. Bookings adjusts for the impact of deferrals and, Snail believes, provides a useful indicator of sales in a given period. EBITDA adjusts for items that Snail believes do not reflect the ongoing operating performance of its business, such as certain non-cash items, unusual or infrequent items or items that change from period to period without any material relevance to its operating performance. Management believes Bookings and EBITDA are useful to investors and analysts in highlighting trends in Snail's operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which Snail operates and capital investments.

Bookings is defined as the net amount of products and services sold digitally or physically in the period. Bookings is equal to revenues excluding the impact from deferrals. Below is a reconciliation of total net revenue to Bookings, the closest GAAP financial measure.

	Three Months ended December 31,		Years ended December 31,	
	2023	2022	2023	2022
	(in millions)		(in millions)	
Total net revenue	\$ 28.6	\$ 15.3	\$ 60.9	\$ 74.4
Change in deferred net revenue	24.0	(3.4)	24.8	(10.7)
Bookings	<u>\$ 52.6</u>	<u>\$ 11.9</u>	<u>\$ 85.7</u>	<u>\$ 63.7</u>

We define EBITDA as net income (loss) before (i) interest expense, (ii) interest income, (iii) income tax provision (benefit from) and (iv) depreciation and amortization expense. The following table provides a reconciliation from net income (loss) to EBITDA:

	Three Months ended December 31,		Years ended December 31,	
	2023	2022	2023	2022
	(in millions)		(in millions)	
Net (loss) income	\$ 2.4	\$ (2.3)	\$ (9.1)	\$ 1.0
Interest income and interest income - related parties	-	(0.2)	(0.1)	(0.8)
Interest expense and interest expense - related parties	0.5	0.3	1.5	0.9
(Benefit from) provision for income taxes	0.6	(3.2)	(2.4)	(2.4)
Depreciation and amortization expense, property and equipment	0.1	0.2	0.4	0.6
EBITDA	<u>\$ 3.6</u>	<u>\$ (5.2)</u>	<u>\$ (9.7)</u>	<u>\$ (0.7)</u>

Webcast Details

The Company will host a webcast at 4:30 PM ET today to discuss the fourth quarter and full year 2023 financial results. Participants may access the live webcast and replay on the Company's investor relations website at <https://investor.snail.com/>.

Forward-Looking Statements

This press release contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this press release can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "may," "predict," "continue," "estimate" and "potential," or the negative of these terms or other similar expressions. Forward-looking statements appear in a number of places in this press release and include, but are not limited to, statements regarding Snail's intent, belief or current expectations. These forward-looking statements include information about possible or assumed future results of Snail's business, financial condition, results of operations, liquidity, plans and objectives. The statements Snail makes regarding the following matters are forward-looking by their nature: growth prospects and strategies; launching new games and additional functionality to games that are commercially successful; expectations regarding significant drivers of future growth; its ability to retain and increase its player base and develop new video games and enhance existing games; competition from companies in a number of industries, including other casual game developers and publishers and both large and small, public and private Internet companies; its ability to attract and retain a qualified management team and other team members while controlling its labor costs; its relationships with third-party platforms such as Xbox Live and Game Pass, PlayStation Network, Steam, Epic Games Store, My Nintendo Store, the Apple App Store, the Google Play Store and the Amazon Appstore; the size of addressable markets, market share and market trends; its ability to successfully enter new markets and manage international expansion; protecting and developing its brand and intellectual property portfolio; costs associated with defending intellectual property infringement and other claims; future business development, results of operations and financial condition; the ongoing conflicts involving Russia and Ukraine, and Israel and Hamas, on its business and the global economy generally; rulings by courts or other governmental authorities; the Share Repurchase Program, including expectations regarding the timing and manner of repurchases made under the program; its plans to pursue and successfully integrate strategic acquisitions; assumptions underlying any of the foregoing.

Further information on risks, uncertainties and other factors that could affect Snail's financial results are included in its filings with the Securities and Exchange Commission (the "SEC") from time to time, annual reports on Forms 10-K and quarterly reports on 10-Q filed, or to be filed, with the SEC. You should not rely on these forward-looking statements, as actual outcomes and results may differ materially from those expressed or implied in the forward-looking statements as a result of such risks and uncertainties. All forward-looking statements in this press release are based on management's beliefs and assumptions and on information currently available to Snail, and Snail does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

About Snail, Inc.

Snail is a leading, global independent developer and publisher of interactive digital entertainment for consumers around the world, with a premier portfolio of premium games designed for use on a variety of platforms, including consoles, PCs and mobile devices.

For additional information, please contact: investors@snail.com

Snail, Inc. and Subsidiaries Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,198,123	\$ 12,863,817
Restricted escrow deposit	-	1,003,804
Accounts receivable, net of allowances for credit losses of \$523,500 and \$19,929, respectively	25,134,808	6,758,024
Accounts receivable - related party	-	11,344,184
Loan and interest receivable - related party	103,753	101,753
Prepaid expenses - related party	6,044,404	-
Prepaid expenses and other current assets	10,169,448	10,565,141
Total current assets	56,650,536	42,636,723
Restricted cash and cash equivalents	1,116,196	6,374,368
Accounts receivable - related party, net of current portion	7,500,592	-
Prepaid expenses - related party	7,784,062	5,582,500
Property, plant and equipment, net	4,682,066	5,114,799
Intangible assets, net - license - related parties	-	1,384,058
Intangible assets, net - other	271,717	272,521
Deferred income taxes	10,247,500	7,602,536
Other noncurrent assets	164,170	198,668
Operating lease right-of-use assets, net	2,440,690	3,606,398
Total assets	<u>\$ 90,857,529</u>	<u>\$ 72,772,571</u>
LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 12,102,929	\$ 9,452,391
Accounts payable - related parties	23,094,436	19,918,259
Accrued expenses and other liabilities	2,887,193	1,474,088
Interest payable - related parties	527,770	527,770
Revolving loan	6,000,000	9,000,000
Notes payable	2,333,333	5,416,666
Convertible notes, net of discount	797,361	-
Current portion of long-term promissory note	2,811,923	86,524
Current portion of deferred revenue	19,252,628	4,335,404
Current portion of operating lease liabilities	1,505,034	1,371,227
Total current liabilities	71,312,607	51,582,329
Accrued expenses	254,731	457,024
Promissory note, net of current portion	-	3,221,963
Deferred revenue, net of current portion	15,064,078	5,216,042
Operating lease liabilities, net of current portion	1,425,494	2,930,529

Total liabilities	88,056,910	63,407,887
Commitments and contingencies		
Stockholders' Equity:		
Class A common stock, \$0.0001 par value, 500,000,000 shares authorized; 9,275,420 shares issued and 7,925,145 shares outstanding as of December 31, 2023, and 9,251,420 shares issued and 8,053,771 shares outstanding as of December 31, 2022	927	925
Class B common stock, \$0.0001 par value, 100,000,000 shares authorized; 28,748,580 shares issued and outstanding as of December 31, 2023 and 2022	2,875	2,875
Additional paid-in capital	26,171,575	23,436,942
Accumulated other comprehensive loss	(254,383)	(307,200)
Accumulated deficit	(13,949,325)	(4,863,250)
	11,971,669	18,270,292
Treasury stock at cost (1,350,275 and 1,197,649 shares as of December 31, 2023 and 2022, respectively)	(3,671,806)	(3,414,713)
Total Snail, Inc. equity	8,299,863	14,855,579
Noncontrolling interests	(5,499,244)	(5,490,895)
Total stockholders' equity	2,800,619	9,364,684
Total liabilities, noncontrolling interests and stockholders' equity	<u>\$ 90,857,529</u>	<u>\$ 72,772,571</u>

Snail, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)

	Three months ended December 31,		For the Years Ended December 31,	
	2023	2022	2023	2022
	<i>(Unaudited)</i>			
Revenues, net	\$ 28,570,222	\$ 15,311,857	\$ 60,902,098	\$ 74,444,141
Cost of revenues	<u>18,646,615</u>	<u>12,724,280</u>	<u>48,306,403</u>	<u>53,121,676</u>
Gross profit	<u>9,923,607</u>	<u>2,587,577</u>	<u>12,595,695</u>	<u>21,322,465</u>
Operating expenses:				
General and administrative	3,900,962	6,369,288	15,816,088	18,713,958
Research and development	1,165,381	1,295,631	5,057,421	2,955,592
Advertising and marketing	1,094,146	145,365	1,582,464	714,492
Depreciation and amortization	86,222	130,262	432,306	565,906
Loss (gain) on disposal of fixed assets	427	(17,067)	427	(17,067)
Total operating expenses	<u>6,247,138</u>	<u>7,923,479</u>	<u>22,888,706</u>	<u>22,932,881</u>
(Loss) income from operations	<u>3,676,469</u>	<u>(5,335,902)</u>	<u>(10,293,011)</u>	<u>(1,610,416)</u>
Other income (expense):				
Interest income	31,443	155,124	129,854	200,913
Interest income - related parties	504	504	2,000	582,632
Interest expense	(570,523)	(308,955)	(1,531,719)	(922,293)
Interest expense - related parties	-	-	-	(3,222)
Other income	(55,351)	(17,068)	265,980	302,086
Foreign currency transaction (loss) gain	(42,574)	(23,623)	(68,180)	(1,945)
Total other income (expense), net	<u>(636,501)</u>	<u>(194,018)</u>	<u>(1,202,065)</u>	<u>158,171</u>
Income (loss) before (benefit from) provision for income taxes	3,039,968	(5,529,920)	(11,495,076)	(1,452,245)
Provision for (benefit from) income taxes	<u>643,728</u>	<u>(3,249,728)</u>	<u>(2,400,652)</u>	<u>(2,446,423)</u>
Net income (loss)	2,396,240	(2,280,192)	(9,094,424)	994,178
Net (loss) income attributable to non-controlling interests	<u>(1,128)</u>	<u>(9,977)</u>	<u>(8,349)</u>	<u>46,371</u>

Net income (loss) attributable to Snail, Inc. and Snail Games USA Inc.	\$ 2,397,368	\$ (2,270,215)	\$ (9,086,075)	\$ 947,807
Comprehensive income statement:				
Net (loss) income	\$ 2,396,240	\$ (2,280,192)	\$ (9,094,424)	\$ 994,178
Other comprehensive income (loss) related to currency translation adjustments, net of tax	33,302	36,077	52,817	(40,643)
Total comprehensive income (loss)	\$ 2,429,542	\$ (2,244,115)	\$ (9,041,607)	\$ 953,535
Net income (loss) attributable to Class A common stockholders:				
Basic	\$ 516,955	\$ (530,686)	\$ (1,960,813)	\$ 228,482
Diluted	\$ 516,955	\$ (530,686)	\$ (1,960,813)	\$ 228,482
Net income (loss) attributable to Class B common stockholders:				
Basic	\$ 1,880,413	\$ (1,739,529)	\$ (7,125,262)	\$ 719,325
Diluted	\$ 1,880,413	\$ (1,739,529)	\$ (7,125,262)	\$ 719,325
Income (loss) per share attributable to Class A common stockholders:				
Basic	\$ 0.07	\$ (0.06)	\$ (0.25)	\$ 0.03
Diluted	\$ 0.07	\$ (0.06)	\$ (0.25)	\$ 0.03
Income (loss) per share attributable to Class B common stockholders:				
Basic	\$ 0.07	\$ (0.06)	\$ (0.25)	\$ 0.03
Diluted	\$ 0.07	\$ (0.06)	\$ (0.25)	\$ 0.03
Weighted-average shares used to compute income per share attributable to Class A common stockholders⁽¹⁾:				
Basic	7,914,564	8,770,468	7,911,369	9,131,512
Diluted	7,914,564	8,770,468	7,911,369	9,131,512
Weighted-average shares used to compute income per share attributable to Class B common stockholders:				
Basic	28,748,580	28,748,580	28,748,580	28,748,580
Diluted	28,748,580	28,748,580	28,748,580	28,748,580

Snail, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2023	2022
Cash flows from operating activities:		
Net (loss) income	\$ (9,094,424)	\$ 994,178
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Amortization - intangible assets - license	-	250,000
Amortization - intangible assets - license, related parties	1,384,058	7,403,918
Amortization - intangible assets - other	804	3,751
Amortization - loan origination fees and debt discounts	124,595	26,514
Accretion - convertible notes	306,664	-
Depreciation and amortization - property and equipment	432,306	565,906
Stock-based compensation expense	848,035	223,250
Gain on lease termination	-	(122,533)
Gain on paycheck protection program and economic injury disaster loan forgiveness	-	(174,436)
Loss (gain) on disposal of fixed assets	427	(17,067)

Interest income from shareholder loan	-	(580,878)
Interest income from restricted escrow deposit	-	(3,804)
Credit losses	581,498	-
Deferred taxes, net	(2,644,964)	588,478
Changes in assets and liabilities:		
Accounts receivable	(18,939,465)	5,486,716
Accounts receivable - related party	3,824,775	(2,908,361)
Prepaid expenses - related party	(8,245,966)	(2,437,500)
Prepaid expenses and other current assets	501,104	(1,875,919)
Other noncurrent assets	-	(26,052)
Accounts payable	2,992,856	4,976,192
Accounts payable - related parties	3,176,177	(3,815,313)
Accrued expenses and other liabilities	659,647	(1,039,927)
Interest receivable - related party	(2,000)	-
Interest payable - related parties	-	986
Lease liabilities	(205,520)	(145,949)
Deferred revenue	24,765,261	(10,729,488)
Net cash provided by (used in) operating activities	465,868	(3,357,338)
Cash flows from investing activities:		
Repayment on loan provided by related party	-	(300,000)
Purchases of property and equipment	-	(5,256)
Proceeds from sale of property and equipment	-	19,500
Repayment on Pound Sand note	-	1,496,063
Net cash provided by investing activities	-	1,210,307
Cash flows from financing activities:		
Repayments on promissory note	(79,897)	(70,961)
Repayments on notes payable	(6,500,000)	(4,166,667)
Repayments on revolving loan	(3,000,000)	-
Borrowings on notes payable	3,000,000	-
Borrowings on short-term note	-	10,000,000
Proceeds from issuance of convertible notes	847,500	-
Refund of dividend withholding tax overpayment	1,886,600	-
Payments on paycheck protection program and economic injury disaster loan	-	(90,198)
Refund of payments on paycheck protection program and economic injury disaster loan	-	48,305
Cash dividend declared and paid	-	(8,200,000)
Purchase of treasury stock	(257,093)	(3,414,713)
Proceeds from initial public offering, net of offering costs	-	11,791,705
Warrants issued to underwriters	-	193,927
Payments of capitalized offering costs	-	(1,247,567)
Payments of offering costs in accounts payable	(342,318)	-
Release of restricted escrow deposit	1,003,804	-
Net cash (used in) provided by financing activities	(3,441,404)	4,843,831
Effect of currency translation on cash and cash equivalents	51,670	(12,730)
Net (decrease) increase in cash and cash equivalents, and restricted cash and cash equivalents	(2,923,866)	2,684,070
Cash and cash equivalents, and restricted cash and cash equivalents - beginning of period	19,238,185	16,554,115
Cash and cash equivalents, and restricted cash and cash equivalents - end of period	\$ 16,314,319	\$ 19,238,185
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ 934,523	\$ 788,063
Income taxes	\$ 248,388	\$ 888,303
Noncash transactions during the period for:		
Loan and interest payable - related parties	\$ -	\$ 103,890

Loan and interest receivable - related parties	\$ -	\$ (103,890)
Loan and interest from shareholder	\$ -	\$ 94,934,400
Dividend distribution	\$ -	\$ (94,934,400)

Noncash finance activity during the period for:

Issuance of warrants in connection with equity line of credit	\$ (105,411)	\$ -
Gain on paycheck protection program and economic injury disaster loan forgiveness	\$ -	\$ (174,436)
Snail Games USA Common Stock transferred due to reorganization	\$ -	\$ (5,000)
Snail, Inc. Common Stock and additional paid-in capital transferred due to reorganization	\$ -	\$ 5,000
Offering costs included in accounts payable	\$ -	\$ 605,295
Funding of the escrow deposit	\$ -	\$ (1,000,000)