Super League Enterprise, Inc.

First Quarter 2024 Conference Call

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PRESENTATION

Operator

Greetings and welcome to the Super League First Quarter 2024 Conference Call.

Please note this conference is being recorded. Before we begin, I'd like to caution listeners that comments made by Management during this call may include forward-looking statements within the meaning of applicable security laws. These statements involve material risks and uncertainties, and actual results could differ from those projected in any forward-looking statements due to numerous factors.

For a description of these risks and uncertainties, please see Super League's financial statements and MD&A for the first quarter 2024, ended March 31, 2024, available on EDGAR. Important qualifications regarding forward-looking statements are also contained in Super League's earnings release distributed earlier this afternoon and also available on EDGAR.

Furthermore, the content of this conference call contains time-sensitive information, accurate only as of today, May 15, 2024. Super League undertakes no obligation to revise or otherwise update any statements to reflect events or circumstances after the date of this call.

I'd now like to turn the conference over to Ann Hand, Chief Executive Officer.

Ann Hand

Thank you, so much and good afternoon, everyone.

I'm delighted to report on Super League's First Quarter Financial Results and provide an update on our Company's continued operational progress. Before I go there, I want to draw your attention to our logo behind me.

That is right. Super League recently rebranded to better convey the pioneering bold and dynamic work that we do and reflect our powerful team of strategists, builders, innovators, creators, and storytellers that sit behind this brand, our league, and the proven partner for over 100 brands who trusted us last year alone to help them learn to speak the new language of 3D engagement.

Super League has consistently been the torch bearer in guiding brands through the intricacies of 3D engagement. Empowering them to ignite business growth among Generations Z and Alpha who live in these immersive social platforms. Our hard work in 2023 of record revenues and streamlined operations have put us in a position of escape velocity and we wanted our branding to fully reflect our vision and this new stage of the Company's life.

Super League generated solid first quarter 2024 revenue of $4.2 million, an increase of 26% when compared to the same quarter prior year and in line with consensus forecast. This resilience in revenue during the first quarter falls in line with our record fourth quarter and full year 2023 revenue performance.

As you all know, our revenues for now continue to reflect the traditional seasonality expected from an advertising model, yet we continue to increase this seasonal low point each year and we'll discuss more trends that are leading to larger deal sizes and more recurring revenues that ultimately will smooth out this seasonality down the road.

While top line growth is important to us, I am most proud of the operating strategy to accelerate our path to profitability through more aggressive productization, which will drive up margins in the second half of the year, coupled with the hard work to reduce operating costs over the last year. On a pro forma basis, our operating expenses were 22% lower than same quarter prior year. That is a $1.5 million quarterly cost savings. That flowed through to the bottom line with a pro forma net loss improvement of 26% relative to first quarter 2023.

Before we get into the operational highlights, I'd like to speak to some of the macro trends. We believe in the unstoppable secular shift in digital advertising towards immersive engagement. There has already been massive audience shift there into these 3D immersive platforms such as Roblox, effectively requiring brands as an imperative to engage in these modern marketing channels.

Immersive engagement allows brands to speak to young consumers in highly customized and personalized ways. Importantly in this significant pivot towards the digital world, this is the language the younger consumer speaks. The average Roblox user spends 156 minutes a day on platform as compared to an average of 95 minutes a day by TikTok users. This truly digitally native audience has grown up with digital immersion and this is how they expect to meet brands.

This is where we live and thrive, offering scalable solutions through our deep strategic and creative capability, coupled with our suite of proprietary products and measurement tools that guide brands to appropriately position and capture 3D engagement and ultimately digital and physical conversion and a loyal customer.

We are the leaders in this new chapter of brand marketing, digital advertising and e-commerce that can transform business models. Recently, Investors have inquired about Roblox's recent earnings announcements, and this is what I tell them, my personal view, “I've said it before, I will say it again, they are a sleeping giant."

While their share prices have seen some pressure, their quarterly revenues are up 22% and daily active users are up 17% relative to same quarter prior year. Why does this matter? Because the primary way, pretty much the only way today, that Roblox makes the bulk of their revenues is through consumer player monetization. That's really where they started as a Company.

As one of a handful of strategic advertising partners, we are in a prime position to ride this next wave as they accelerate, they turn up the volume as they move into this foray, into this very untapped revenue opportunity. There is so much tremendous upside, in my view, it is hard to even imagine how to quantify the value of advertising on the Roblox platform alone.

Let's talk about what we've built and how we innovate and why our capability to build immersive experiences and products along with creator and advertisers' tools and analytics has uniquely positioned us as an end-to-end solution for brands wanting to enter these 3D realms and create their next great digital marketing channel. We currently reach over 150 million monthly active users on immersive platforms, with over 5,000 virtual realms or many worlds in our network.

This is real scale and allows us to more than fulfill a brand's campaign objectives. We continue to productize repeatable elements of our custom experiences to convert across brands and key verticals. One of our newest offers, Super League pop-ups, are drag and drop modules that can be easily re-skinned for use by a wide berth of brand and IP owners.

From turnkey fashion runways and makeup counters to kitchens and concert stages, experiential products allow us to accelerate the brand adoption curve, collapse development cycle times and that ultimately leads to more brands coming in the funnel and higher margins. One such example is a recent launch of a virtual drivable car demo that allows consumers an easy, accessible entry point to begin their car buying journey without the physical world limitation of in real life test driving.

We can help an automotive partner introduce a new vehicle to tens and millions of customers over a course of days in an affordable, scalable way the physical experiential marketing, a $50 billion advertising category, in its own right, cannot achieve. Super League continues to be a leader in thinking about a brand's overall business objectives beyond just marketing. As evidenced by our work with Chipotle, Kraft Lunchables and more.

We think about driving real commerce and conversion beyond massive engagement. Our Lunchables program drove not only in-game engagement, but also physical crossover. Lunchables physical packaging with the Roblox gameplay QR code had a 6.3% higher purchase rate. The in-game program delivered 10 million hours of engagement with players collecting 7.4 billion in-game reward points.

That leads to another new product we're super excited about. A white label rewards module. Think again, it's like plug-and-play that offers in-game player badges and rewards along with a connection to a brand's offline objectives. Whether it be app downloads and loyalty programs or perhaps it's signups and foot traffic and like-for-likes. We are not just a digital ad agency, we're not just a game studio, we are so much more, and innovation and productization are in our DNA.

Now, before we get into the pipeline trends, a reminder of the brand journey from our vantage point as it underpins how we scale. Today, most brands meet us through a one-off campaign. We know we are doing our job well as we continually have new brands entering our funnel. Next, we become a standard component of their marketing objectives annually.

We know we are successful here by the number of repeat advertisers and advertisers spending larger and larger aggregate annual amounts with us. Then we guide brands to create persistent immersive strategies and presences. This is proven with more brands engaging in long-term programs that include not just immersive experience development investment, but also recurring operational fees flowing back to Super League to keep those experiences vibrant.

Finally, the fourth step. Living into our vision as an enterprise solution. The premier builder of a brand's omnichannel immersive strategy, is when we get a brand to cross over and allow us to create multiple immersive social platform channels and inevitably to lead back to a more immersive web presence on their own dot com experience. That is really the result of the next generation of our internet. One that has more of a 3D feel, even if you're engaging in it on a traditional 2D flat screen.

Each quarter I like to discuss key pipeline trends that help us measure our traction and grow operating leverage. Our average deal size in the pipeline remains in the mid-six figures with increasing demand for larger programs, as exemplified by the nearly $4 million Kraft Lunchables deal.

Last year we closed on six seven-figure deals, which was a sixfold increase when compared to 2022, where we had just one seven-figure deal. I'm pleased to report that year-to-date in 2024, we have already hit the same number of seven-figure deals that we delivered in the full year of 2023.

We have six seven-figure deals in motion and we're just five months into the year, and that's with the likes of big brands, blue chip brands, like Visa and Toyota. As that trend continues, it will take a fraction of the partner programs to deliver yet another record breaking revenue year.

The larger programs are also indicative of another positive trend. To date, we have seven branded programs that have recurring operational revenue attached to the experience, with brands like Dave & Buster's and Claire's. Now think about that, they're paying us to build the experience, to drive traffic to that experience through our own and Roblox as media products, but on top of it they're paying us a monthly fee to again keep that an attractive and vibrant experience to continue to have a permanent, somewhat, virtual billboard in those spaces.

Let's just pause there because this is how the business model for us evolves over time. That's recurring revenue from us and it demonstrates the shift from brands spending smaller amounts for short-term campaigns towards leveraging the experiences we create for them into more persistent programs or better said, persistent marketing channels and persistent investment on these game changing social digital platforms.

There is a simple analogy for this. Brands today have persistent strategies on traditional social media, like Instagram and Facebook. As a CMO, it would be unthinkable today to not speak to, to not invest in those communities consistently. The C-suite is just beginning to wake up to this new modern marketing channel and the imperative to meet young consumers in these environments where, again, they already live and to speak the language that they're speaking in these environments.

Further, as we continue to have a high percentage as advertisers, I'm also excited to report that we have 48 new brands in our pipeline per service year-to-date. That is alongside 35 repeat brands. Retention of existing customers is, of course, a vital metric, but new entrants are equally as critical.

As I stated earlier, we served over 100 brands last year, so we were only scratching the surface of the opportunity in front of us as brand dollars inevitably catch up to the audience migration that's already moved towards immersive social platforms. As we grow and deliver on these larger programs, it verifies our unique position as the domain expert and end-to-end solution for brands to implement that multi-channel marketing and commerce strategy, I mentioned earlier, across a variety of immersive platforms, ultimately driving customers back to a brand's own more engaging immersive website and commerce experience. Yes, we can build that for our brand partners as well. That is step four of the brand's journey I spoke about earlier. Again, that is the vision for Super League and the opportunity to grow tremendous shareholder value.

Now on to some operating highlights. Just recently we joined forces with Skechers to open the Company's first virtual store through an immersive experience in Roblox, a popular game called Livetopia and their new mall like experience. As the inaugural retailer, the Skecher shop was designed to build community and engage young consumers in a world that brings the Skechers brand to life. As a visitor, you can participate in a treasure hunt to win exclusive Skecher's digital items as well as create stylish looks inspired by select Skecher's products. In the first five weeks there have been 3.4 million visits to the store, 4 million try-ons and nearly 45 million marketing impressions generated.

Additionally, we expanded our offerings to consumers and brands of Fortnite by partnering with Chartis, allowing us to develop comprehensive end-to-end integrations into more than 100 top Fortnite Creative

Maps, with nearly 1 billion impressions per month. Together, we can provide unparalleled opportunities for brands to launch new customer Fortnite, custom integrations faster.

A prime example of how brands are creating more persistent long-term strategies is our new engagement with leading retailer Claire's, for their transformative digital world, ShimmerVille. ShimmerVille is a persistent world that serves as a hub for the discovery of amazing new avatar items as well as original character-driven IP. Super League has brought in to revitalize the virtual realm over the coming months with gameplay designed to inspire both digital and in-store community engagement and growth among Claire's Gen Z and Alpha audience.

We're always looking for new sources of advertising revenue beyond our core suite of products. Our new partnership with GSTV, a National Video Network providing entertainment to targeted audiences and fuel stations and convenience stores reaching 115 million unique adults a month across more than 29,000 locations offers gaming centric video content on their screens. By leveraging GSTVs salesforce, we unite the physical consumer with the expansive digital world of gaming, enabling brands to achieve full funnel conversion. Consumers filling their fuel tanks will be entertained and driven into convenience store and online relevant promotions.

As well, Super League was honored to be a part of a broad collaboration with Boombox, the first scaled music product across the Roblox platform. Boombox offers a true pioneering opportunity for music labels to curate, distribute and monetize their offerings on Roblox. Players can share and collectively enjoy music with each instance of music playback being a monetizable event for the contributing labels and artist. This industry milestone was a result of a year long collaboration that included Super League, Universal Music Group, STYNGR, and of course Roblox, and evolves the way that fans engage with their favorite music artists and labels.

Connecting and communicating with young consumers in a safe, appropriate and compliant manner is one of our core values at Super League. To that end in first quarter, we partnered with Common Sense Networks, a singular leader in age appropriate content moderation and standards to further enable brands to connect with younger audiences on a global scale and safe and suitable ways across major gaming and video platforms.

By combining Super League's custom and scalable content experiences in immersive entertainment platforms with Common Sense Networks video channels, applications and proprietary child safe data distribution tools, we offer an unrivaled safe solution for kids.

We continue to be recognized for our leadership and excellence in creating innovative immersive experiences. Once again, we were honored at this year's Webby Awards winning the People's Choice best performance award with Hulu, Interscope Records and Imagine Dragons, for the live in Vegas experience. The groundbreaking Live in Vegas event was the first ever music documentary watch party on Roblox to promote the Hulu film release offering an opportunity for admirers to engage with the band with live Q&A and to really get a chance to talk to this massive bestselling rock artist of the last decade. Imagine what an experience truly interactive for the fans.

I can take another bit of a breather here, right? That's a lot of exciting partner development in a short amount of time. I hope you can glean from that how we think. We go broad and deep with our own innovation and productization and build the types of alliances around us that leverage their talent and distribution to augment our offerings and accelerate our success.

Now, before we jump to Q&A, I want to mention one more significant milestone. At the end of March, we disposed of our Minecraft server community asset, Minehut, to GamerSafer, a security and online gamer experience startup. The sale of Minehut offers an additional $2.4 million in annual operating expense reductions and a critical move to our path to profitability. While we're doing a lot, we are equally hyperfocused on the products that provide the highest return and margin and a lean and efficient organization to support that growth.

With that, Operator, let's move to Q&A.

Operator

Great. Thank you so much.

We will now begin the question-and-answer session with Super League's covering analysts. Please raise your hand with the raise hand icon at the bottom of your screen. If you joined by phone, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue.

Okay. Our first question comes from Jack Cordero, with Maxim Group. Please proceed.

Jack Cordero

Hi, thank you. This is Jack Cordero calling in for Jack Vander Aarde. Congrats on the awesome quarter. I think there were some really exciting developments in terms of pipeline size and deal size. I was wondering if you could provide an update on the overall sales team. Previously, I think it was eight direct sales members and then some business development partners. How are you thinking about the overall capacity of your sales team now?

Ann Hand

Yes. It's a good question. Thank you for asking. We talked about how in 2022 our top two performing sales leaders delivered about $2.5 million in annual revenue. Then as we reported on end of year 2023, we saw that those same top two performers were pushing into that $4.5 million close to $5 million range.

That has actually allowed us to be much more aggressive in sales team performance management. We now know what the capability is or what that new ceiling is, and we're very focused on identifying, hitting performance faster and harder so that we can start to have a higher average across the sales team.

Right now, we've actually gone so far as to churn out a couple of our salespeople since the last time we've had a call because we've just become more aggressive on that performance management side, as I said. The good news is, is that we're going to continue to high grade the sales team and make sure that that new benchmark that's been set is where we're trying to grow all salespeople. Now there is a ramp up curve, it does take a little bit of time to build up that sales pipeline.

Again, as you're doing larger deal sizes, they inevitably have longer sales cycles to them, but they also have more revenue spread against more quarters and you can see further into future quarters, which is a nice thing we think for Investors. Right now, we are down to about six sellers, but in making that choice to high grade and to find two new sellers to get back to that eight and possibly that 10 number for the year, we don't think that we took any hits in our expectations of our revenue target for the year.

We felt that it was a low risk decision to really get to this next level of salesforce effectiveness. The other thing too that's happening is, as you see these larger deal sizes, the fact that we already have six, seven-figure programs that we've won this year, that as well tells you that you're going to inevitably—it's almost like more like a biz dev sale. Even though we have some sellers at that $4.5 million to $5 million mark last year, you could have one Lunchables and hit $4 million. We think we're just scratching the surface on what that ceiling could ultimately be with bigger and bigger programs.

Jack Cordero

Okay. That's helpful and it makes sense. I think I also heard you mention there's seven recurring experiences now and obviously your new immersive world with Skechers on Roblox has generated a lot of impressions very quickly. I'm wondering is there a framework we should be thinking about to understand the revenue potential for these recurring experiences? Is it about the complexity of the actual creation? Is it about the amount of experiences? Any color would be helpful there.

Ann Hand

Yes. Typically, there's two types of persistent experiences. There's a persistent integration in an existing world that has one set of development cost to it. When we were building Barbie's Dreamhouse inside a world, that was happening inside an existing game world, right? It was a pop-up experience that then went away. Typically, those types of development programs can cost anywhere from $200,000 to $500,000 to create just the pop-up experience. Now, we know from that program and others that was a temporal campaign-based one, that they still then spent another few hundred grand buying on platform media from us.

We have a way just with pop-up temporal experiences and our media products and Roblox's is to take those deals and to grow them much larger beyond just what they're going to pay us for the pop-up experience. That's why when I mentioned earlier the pop-up products, it's so important because instead of spending two months building Barbie's Dreamhouse, once we build a house once, we can re-skin it and we can have a pop-up other home experience for another brand in a matter of a few weeks. Again, less development time, more margins.

But to your question about recurring revenues, that's where either a brand has said, I want to have a permanent billboard either inside an existing game world, like the Barbie one, but imagine if Mattel had left the Barbie Dreamhouse up all year. Or they want us to create their own dedicated node, their own dedicated game world. There is a difference in the development cost of those two things.

The pop-up experience is still going to be in that same $250,000 to $500,000 range. If you want a permanent node made, it's going to be at the higher end of that range that I just mentioned. That said, in both instances, if it's going to be permanent or persistent in nature, there will be a monthly operating fee that that brand will pay to Super League to continually update the game and keep the activity very vibrant. Because you don't want it to have a big splash and then for people to go away, right?

That's why even things like our in-game rewards plug-and-play module is so interesting because if we can plug in a white label game loop of rewards, that's another mechanism to drive continued engagement. But the headline still remains, that a brand pays us the upfront cost and is paying us a monthly fee that can be anywhere from $25,000 to $50,000 a month to maintain that game world and keep it vibrant and performing.

Jack Cordero

That's amazing color. I had one more question if possible. Given your comments around deal size increasing a lot and prior comments, I know there was a longer-term goal for a hundred million plus revenue and some gross margin expansion. Are you still expecting to see that gross margin expansion given the deal sizes getting a bit larger? Do you think that is a headwind that will compete with one another? Any comments that would be helpful.

Ann Hand

Yes. It is a great point because as we talked about in the last call, we made a very strategic decision to take down that larger Kraft Lunchables $3.9 million deal, and we would do it again. But we knew we were doing it at a lower margin than we would typically do. Some of that was more the nature of how it was contracted because it was partially contracted before Publicis came to us and said, will you run this program for us. We inherited some elements that were more markup-like in nature.

Yes, there is a risk that bigger deal sizes as they become more competitive, that'll be a little bit of headwind. But really Kraft is a one off because again, the way we inherited that deal. If we had been the primary owner of that program from the start, we could have designed that program in a way for stronger margins. That said, the way that we can tackle and grow margins is through that productization strategy. When you look at some of our proprietary products, those products can have 45%, 50% up to 60% margins on them. Usually if we're building a custom bespoke one-off experience for a brand, we're in the 25%, 30% range.

If we productize elements of an experience, that concert stage or that fashion runway, the next time a fashion company comes to us and wants a fashion experience, we can take that reusable product and re-skin it, as I mentioned during the call. That again gets more brands into market faster, but allows us to start grabbing more product margins on something that still has the feel of a very custom experience for the brand. That move of productization, is that sliding scale is more and more of what we do is productized is the sliding scale as well on how we grow our margins beyond the 40% to 45% range.

Jack Cordero

Thank you for the color and congrats, again, on the fall results. I'll hop back, thank you.

Ann Hand

Thanks, Jack.

Operator

Thank you. Our next question comes from the line of Howard Halpern. Please proceed with your question.

Howard Halpern

Congratulations on the start of the year. My first question is with regards to the data and analytics that are going into and that you're able to accumulate from Skechers from the Lunchables to Claire's, how do you view that and how does your customers view that in terms of monetization down the road?

Ann Hand

Yes. It's a good question because right now it's often the icing on the cake. When we're able to show how we can build, engage, amplify, and measure for that end-to-end solution, that measurement piece is definitely an added bell and whistle that really excites the brands and their agencies, that deeper layer of insights that we can provide.

That has as well inspired another item that is on our product roadmap that we are deeply in development on, which is an actual portal for brands to be able to come in and to get those deeper insights on campaigns, but also to look across multiple campaigns that they're running. That right now, again, continues to be a way we win because it's our distinction. It's one of our many distinctions when we go in and go up against others.

That said, right now in the business case for that, we do believe it is a revenue generating stream down the road. We're already right now testing when we go out and put together a package for a brand when we're responding to an RFP, we're testing the notion of, can we extract, even if it's small, a little bit of fees for our additional data lens? Can we get a little additional fees for the strategic advisory role we're playing? Because often we're sitting down brands and we're first describing to them this landscape and we're giving them very educated recommendations on how they should play in it. That front-end piece and then the data piece are two areas where we do think that those are emerging revenue streams for the Company.

Howard Halpern

Okay. Are you seeing, now with the success of Skechers and Claire's, are you seeing a pipeline develop from retailers that want to jump on the bandwagon and how is that going to help improve margins down the road?

Ann Hand

Yes. We've just brought on the Claire's account, so we're just starting all of that work. ShimmerVille is an existing game, but we've been hired to come in and revitalize it. But to your point, we now have several case studies. Kraft Lunchables is one, Chipotle is one as well of digital to physical crossover.

The ways, as I mentioned earlier, that we can drive digital app downloads, foot traffic, like-for-likes. That's becoming a bit of our hallmark a bit is those case studies where we can point to the real world P&L effects, we gave to that brand beyond just checking the box of a great engaging marketing campaign. That's not what we want to be known for. We want to be known as people who were thinking about that brand's bottom line.

The thing that I think could happen over time, right now when we're being hired to do those, we're certainly getting more retailers in. I can't really name some of the retailers right now because it's not announced, that we're digging in, and I do believe we'll convert into paying consumers or brands with us this year. But there's an exciting list of retailers. Because once you have a good QSR case study or fashion retail case study, you can go out and leverage that for repeats inside that vertical.

But the one thing that I think is a huge opportunity, today when we're paid for those activations, we're still paid to do the work with our margin markup on it, right? But what if we got one retailer to allow us to structure a contract differently where we got a small royalty for everything that we were able to achieve on the physical crossover. If right now a brand would pay $30, $50 to get it—in marketing dollars to get a consumer to download an app on their phone. What if they were willing to give us $1 for every one of those digital app downloads that we received on their behalf or maybe a small royalty for any online sales.

I think especially like with the mobile app download example, I don't think that's too farfetched that you could get a brand to say, you're already costing me less for that mobile app download instead of me paying $30, $50 for acquisition, this program, with the metrics we've identified, we'll be able to do it for $15 or $10. I don't think it's a big stretch that we could then say, what if we got a $1 kicker for every one of those downloads?

I think this is going to be the opportunity that digital to physical space is the opportunity for us to change just the way we price programs and get a piece of, not just the revenues further downstream, but it goes back to, again, smoothing out seasonality, more things that feel recurring in nature. Again, it changes this current highly seasonal advertising model.

Howard Halpern

Okay. Thanks, and keep up the great work.

Ann Hand

Thank you, Howard.

Operator

Thank you. Our next question comes from the line of Scott Buck. Please proceed with your question.

Scott Buck

Hi, Ann. Thanks for taking my questions. I'm curious, the seven digit deals you have in the pipeline now for the remainder of the year, are any of those repeat customers?

Ann Hand

You're talking about the ones that are seven-figure and have the—seven-figure deals that I spoke about, correct?

Scott Buck

Yes.

Ann Hand

Yes. Of those deals, I'm just looking right now at them, three of them are repeat.

Scott Buck

Can you give us a sense of where you were a year ago for 2023 since you had a similar number of deals?

Ann Hand

Yes. I would say probably at one, maybe two of the six, yes.

Scott Buck

Okay.

Ann Hand

We had six seven-figure deals last year, we have six this year, five months into the year, and as a comparable, I'd say one at most, two, probably realistically, one just—it almost has to be by nature because of how our revenue distribution is, right? As you know, the advertisers put all their money to work and for back to school and holiday. As you've seen the last few years, 65% or more of our revenues are in Q3 and Q4, and that's inevitably where you're typically going to see those larger deals land.

Scott Buck

Yes. No, that's helpful. I was really impressed with OpEx this quarter. How much of that has to do with being in the seasonal trough versus, hey, this is the new run rate on a go forward basis?

Ann Hand

Yes. We don't have a lot of variable workforce and that is more to do with the hard slog of really almost 18 months of reducing several layers of layoffs, tightening up our product strategy, really only investing in product lines where we don't just see significant growth, but also profitability. Then, of course, tackling our infrastructure cost.

We got about 50% of our infrastructure costs down, our cloud-based costs, prior to selling Minehut and Minehut was the final big chunk of that. There were 12 full-time equivalents that left the Company with that divestment, as well the final big chunk—we have a little bit of cloud services left for our own use, but it's very minor. I would say the majority of Q1 cost reduction is all of those levers we've been pulling over the last several quarters and you're starting to see those flow through consistently. That's before we now add in the additional $2.4 million on a full year basis from the Minehut sale.

Scott Buck

Okay. You still have some Minehut costs in the first quarter numbers?

Ann Hand

Oh, yes. Because we didn't—that sale was completed at the end of March.

Scott Buck

Okay.

Ann Hand

Yes. Between that and some very minor severance packages, yes. There's a little bit of spillover into Q2.

Scott Buck

Okay. Fantastic. Then last one for me. I just want to ask you about cash and runway and how you're thinking about that as you move into the stronger part of the year.

Ann Hand

Yes. We have a cash balance of $3.3 million at the end of Q1, no debt and we're operating with a conservative lens. We'll continue to be strategic and proactive to address any longer-term capital requirements, but we want to stay transparent with updates to the market.

Obviously, capital raising, the challenges around it can continue to be tough with the cyclical macroeconomic landscape that we all are sitting in and small cap world. But I do feel like the campaigns that we've secured in Q1, the line of sight we see into Q2, Q3 and Q4, I still feel very bullish and confident that we are cutting our losses very fast and that in that second half of the year we're going to see that break even point for the first time in our history.

We haven't lost our faith that we're going to run the business conservatively, we do not want to do anything in market that puts more pressure on our stock. That's the attitude that we march forward with and that we will do what it takes to get to profitability by Q4.

Scott Buck

Great. I appreciate you answering my questions. Thanks for the time.

Ann Hand

Thank you.

Operator

Thank you. We've reached the end of our question-and-answer session. I would like to turn the floor back over to Ann, for any further comments.

Ann Hand

Great. Thank you so much all for joining today.

With secular tailwinds behind us and brand awareness of 3D engagement growing daily, we are set to electrify this space and scale our business. With an unwavering focus on being trusted partners that brands turn to, to speak the language of 3D engagement as their own omnichannel strategies exist and emerge, that is also how we will exceed our own ambitious goals and further cement Super League's position as strategic leaders in the immersive web while creating long-term sustainable value for our shareholders.

With that, I do encourage you to visit superleague.com, check out our new branding, immerse yourself in the beautiful experiences that we create for our brand partners, and we wish you a great day.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.