

Riot GVP Deal

Your approval is needed for the current GVP offer. Riot is excited to sign the deal and wants to speak about the partnership publicly. They are also interested in following in ABKs footsteps and signing a multi-year contract with Google. They were anxious to unlock the UAC credits and co-marketing in time for their upcoming launches, so we proposed a 1 year contract, and expect to fast follow with a multi-year deal. They have already committed \$20M to GCP, which is just the beginning.

Context

A year ago, we pulled all stops (promised them \$10M co-marketing for before they signed GVP for example) to get Riot to stop their inhouse “app store” efforts and bring their billion dollar League of Legends franchise and other mobile games to Play (they were most likely to follow Epic’s example). Since then they have pre-registered their games on Play first!

Riot is also quite unique among the Hug devs – we defined the offer with several assumptions and uncertain launch timelines, as they hadn’t launched a mobile title yet and had \$0 Play spend. The package we defined, and subsequently communicated to Riot, was within the target effective rev share bounds we shared with the BC.

Now, ~1-yr later, Riot launches are delayed and Play Finance has revised down the original spend forecasts, which puts their offer at ~17% of Play Spend for the 1 year GVP deal.

Strategic relevance and looking beyond year 1 – Signing the GVP with Riot is both strategic and timely – they have a lucrative franchise, an influential gamer base, and are fully owned by Tencent.

Conservative projections for a longer term deal brings the offer closer to ABK. The model below keeps post 2021 spend flat and caps Hug UAC/marketing incentives to 2020 levels. As in the ABK deal, we expect to tie GCP credits to commits and tie co-marketing to Play performance.

in \$Ms	1 Year GVP		3 Year GVP		4 yr Total
	2020	2021	2022	2023	
Riot Consumer Spend	\$188	\$384	\$384	\$384	\$1,340
Hug Non GCP incentives	\$28*	\$28	\$28	\$28	\$112
Rev Share Discount	14.9%	7.3%	7.3%	7.3%	8.4%
Hug GCP credits	2.0%	2.0%	2.0%	2.0%	2.0%
Total Hug Discount	16.9%	9.3%	9.3%	9.3%	10.4%

*15m in co-marketing campaigns (\$2M already spent on pre-reg), \$3M in YT content creation and Influencer marketing, \$10M in UAC credits. Given the delay in game launches, Riot may not use all of it.

EXHIBIT 1478

Addressing contagion and Riot's expectations of future offers – To address contagion, we would treat the 1-year GVP as a pre-launch deal for a dev that has \$1B+ franchise that is not on mobile. To set Riot's expectations in the future, we would make tie incentives in the future years to Play performance, GCP commit, etc as we have done with ABK.

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Metadata

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