

# Earnings Case Study

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June 13, 2025

## Contents

<b>1</b>	<b>Duolingo: DUOL</b>	<b>2</b>
1.1	2023-02-28 Earnings Report . . . . .	2
1.2	2025-05-01 Earnings Report . . . . .	2
1.3	Pattern . . . . .	3
<b>2</b>	<b>LUNR</b>	<b>3</b>

# 1 Duolingo: DUOL

## 1.1 2023-02-28 Earnings Report

- *Earnings Summary:* DUOL reported sixth consecutive quarter of user/growth acceleration with DAUs +62% YoY to 16.3M and MAUs +43% to 60.7M. Other key KPIs (total revenues, adjusted EBITDA, paid subscriber count) all increased by 40%+, soothing worries about profitability saturation.
- *Price Action:* Sideways price action following uptick in growth from early 2023. Earnings report led to heavy 22% spike (on next trading day) with heavy (4x) volume followed by consistent gains over the next several weeks. DUOL also announced two weeks later (on Mar 14) that “Duolingo Max” would be powered by GPT-4. This captured AI hype and led to a further up-and-to-the-right movement.



Figure 1: 1st circle indicates earnings report, 2nd circle indicates AI announcement

## 1.2 2025-05-01 Earnings Report

- *Earnings Summary:* Duolingo posted another strong quarter, with GAAP EPS of \$0.72 beating consensus by 20¢ and revenue climbing to \$231M (+4% vs. Street). It marked the company’s first-ever 10M+ paid subscriber quarter (10.3M, +40% Y/Y), as the freemium-to-paid funnel remained robust. User growth reaccelerated once again — DAUs rose 49% Y/Y to 46.6M, and the DAU/MAU ratio improved to 35.8%, pointing to higher engagement and retention. Adj. EBITDA margin expanded 900 bps Y/Y to 27%, with free cash flow margin at 24%. Management also raised full-year revenue guidance and signaled continued operating leverage, easing concerns about cost pressures tied to AI investments.
- *Price Action:* Shares spiked over 20% on high volume following the print. The rally came on elevated volume and was supported by a flurry of analyst upgrades and bullish headlines calling Duolingo a “consumer-AI showcase.” Investors appeared especially encouraged by traction in Duolingo Max, ongoing AI content scaling, and strong user/subscriber trends despite tough comps. The stock continued drifting upward in the days that followed, fueled by optimism around new product verticals and gross margin expansion potential.



Figure 2: Stock surged post-earnings on stronger-than-expected results and bullish guidance.

### 1.3 Pattern

The stock rallied on a rare combination of strong, consistent user and subscriber growth, expanding margins, and clear progress in AI integration—notably with Duolingo Max and AI-driven content creation—which reinforced confidence in both near-term execution and long-term scalability.

## 2 LUNR