



ten square_games

Q1 2019 Results

May 2019

Ten Square Games – F2P sporting games leader



170 people

EXPERIENCED TEAM



F2P games

WIDE PORTFOLIO



~ 90%

OF INTERNATIONAL SALES



PLN 37.5 m

Q1 2019 revenue



PLN 4.1 m

Q1 2019 revenue



PLN 2.4 m

Q1 2019 revenue

Q1 2019 Results

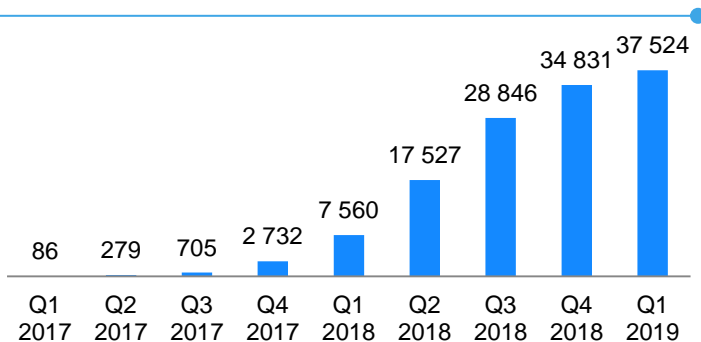
Q1 2019 Executive summary



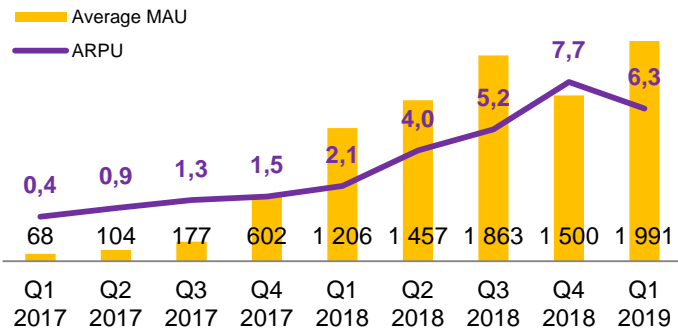
- Another quarter of good financial results
 - Fishing Clash game again on the growth path mainly due to increased marketing expenses
 - **PLN 45.3 m** revenue in Q1 2019 – increase by **215%** y/y and **9%** q/q
 - **PLN 10.4 m** net profit in Q1 2019 – increase by **107%** y/y and **-24%** q/q
- **PLN 12.5 m** EBITDA in Q1 2019
- Soft launch of the Golf Rush game in April 2019 – initial launch in Poland, Brazil and Indonesia

Fishing Clash – dynamic increase in payments

Payments (PLN k)



Average MAU (k) and monthly ARPU (PLN)

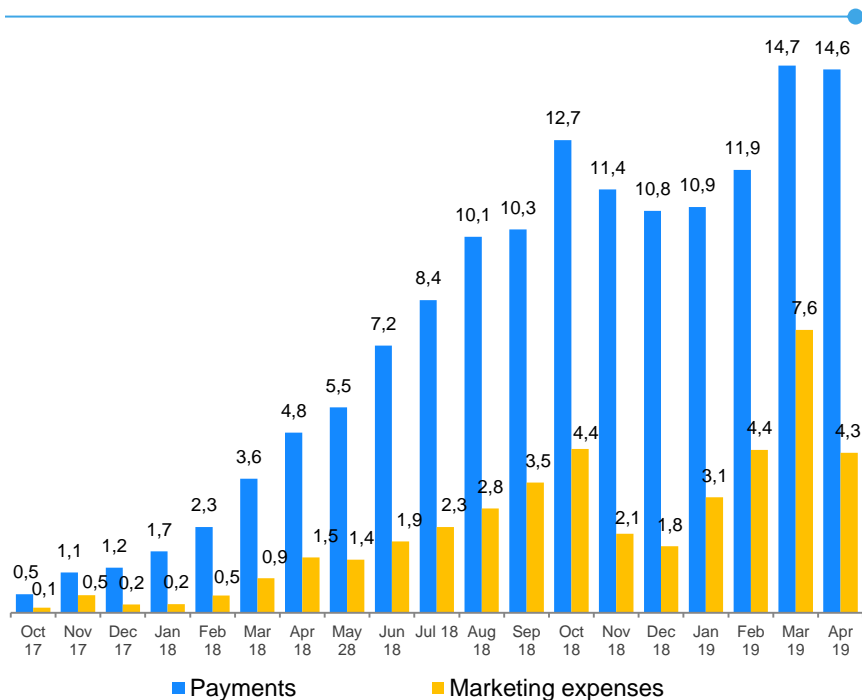


- **7,7%** increase in payments q/q in Q1 2019
- Fishing Clash game main source of revenue in Q1 2019
- Dynamic growth in MAU q/q among others featuring
- Active game management through live-ops
- Game development (new fish, new fisheries) and improved functionality



Fishing Clash – marketing that works

Payments and marketing expenses (PLN m)



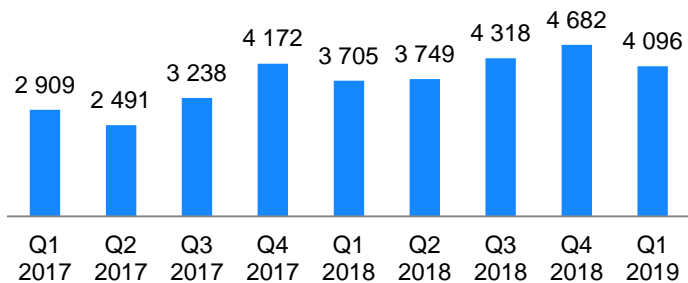
- Record payments in Q1 2019 as a result of increased marketing budgets
- **PLN 15.1 m** spent on the promotion of the Fishing Clash game in Q1 2019
- Marketing expenses in March 2019 related to the test allocation of marketing budgets
- Work on improving game KPIs and effectiveness of marketing techniques



Let's Fish benefits from improved Know-How

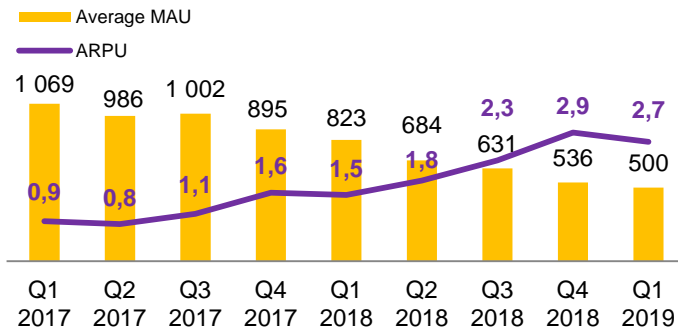
Very strong revenues in the 7th year of the game.

Payments (PLN k)



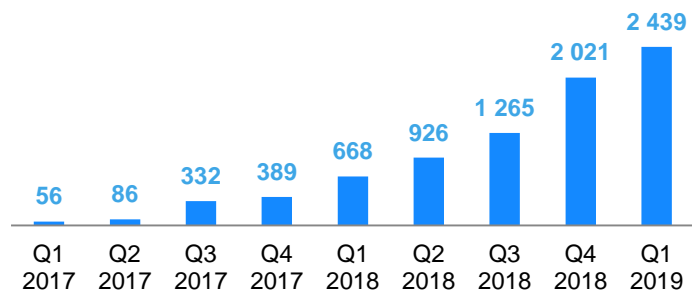
- **PLN 4.1 m** revenue in Q1 2019 compared to **PLN 3.7m** in Q1 2018 – increase by **11%** y/y
- MAU and ARPU stabilization in Q1 2019

Average MAU (k) and monthly ARPU (PLN)

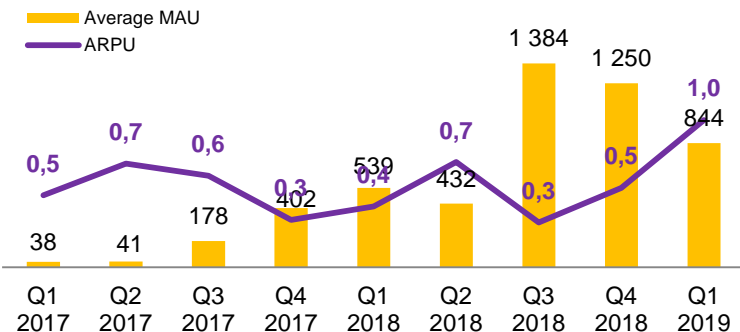


Wild Hunt – another good game with longevity potential

Payments (PLN k)



Average MAU (k) and monthly ARPU (PLN)



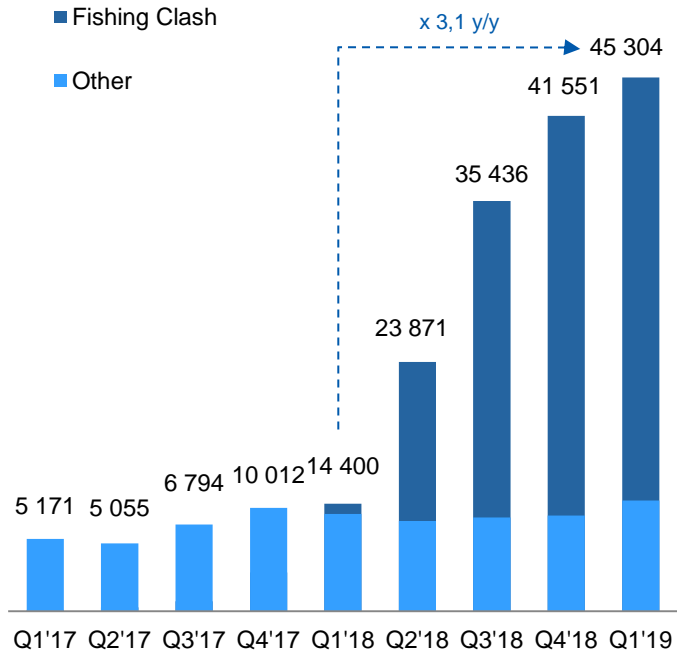
- A dynamic **265%** increase in revenue in Q1 2019 y/y
- **PLN 2.4 m** revenue in Q1 2019 compared to **PLN 0.7m** in Q1 2018
- **PLN 0.4 m** spent on marketing of Wild Hunt in Q1 2019
- Stable development of game based on good cooperation with distribution platforms (Apple, Google)



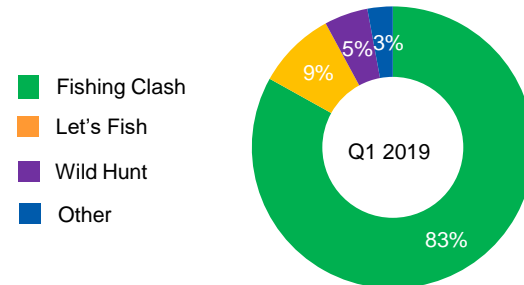
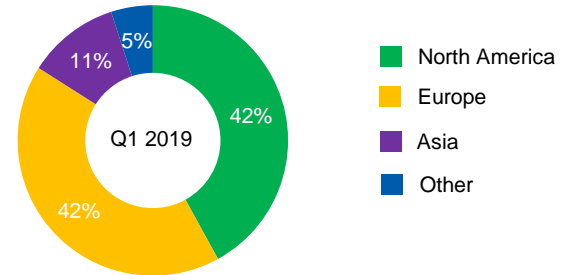
High dynamic of revenue growth

Dynamic growth of revenue thanks to high monetization of mobile games, mainly Fishing Clash

Revenue (PLN k)



Geographical and product structure of revenue

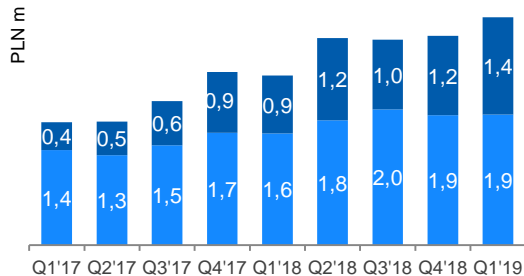


- Stable level of revenue of gaming portfolio ex. Fishing Clash

Operating costs under control

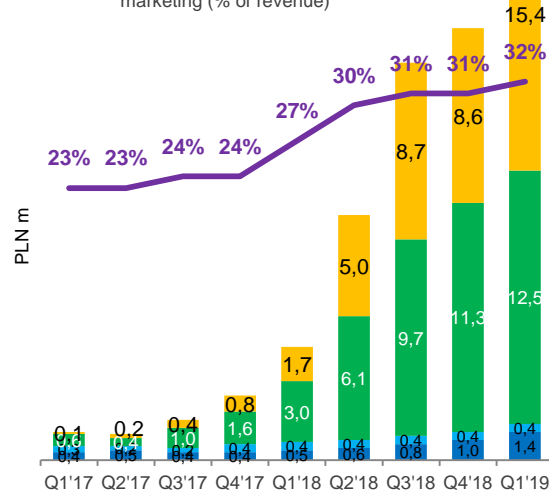
Operating costs without selling cost

■ COGS ■ G&A expenses



Selling cost

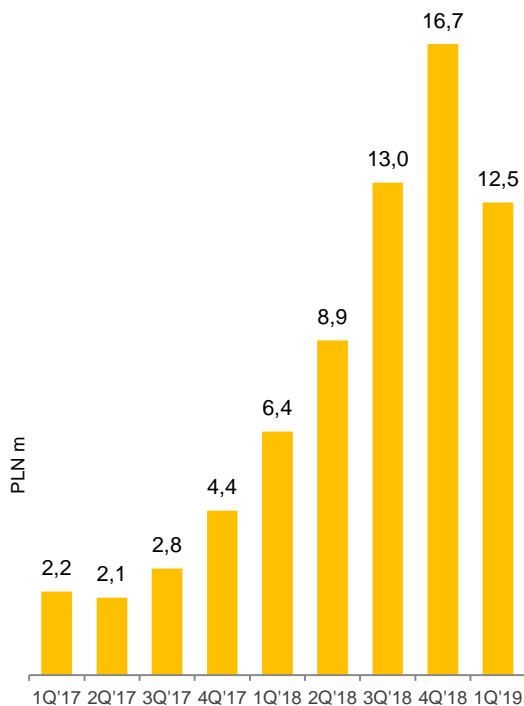
■ Marketing
 ■ Commission
 ■ Revenue share
 ■ Other
 — Selling expenses without marketing (% of revenue)



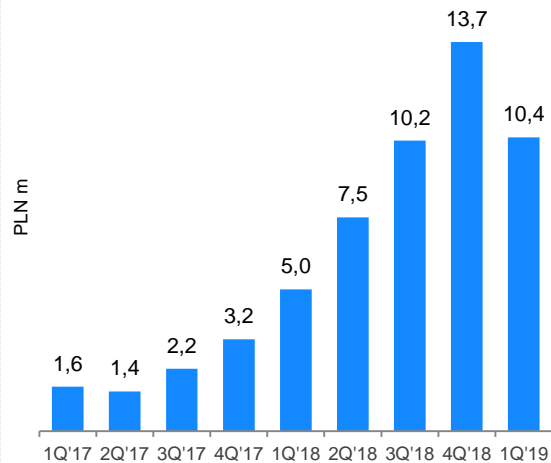
- Stable COGS (a small increase in these costs due to increase in employment)
- Increase in commission resulting from higher revenue
- Increased marketing budgets adjusted to current game development

Finance performance resulting from revenue growth

EBITDA



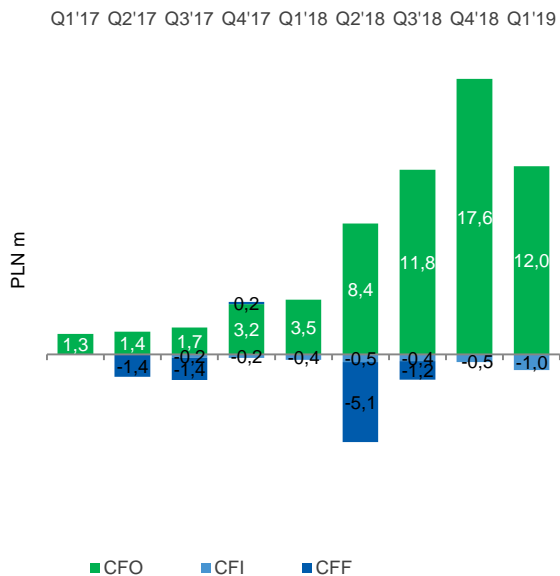
Net profit



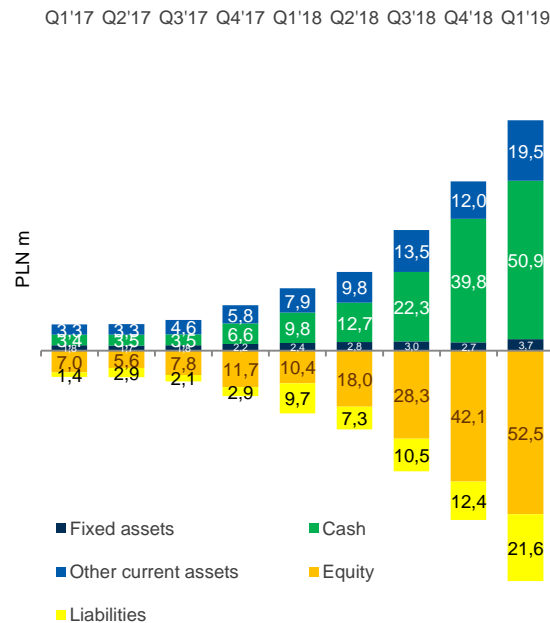
- Lower results q/q in Q1 2019 related to higher marketing expenses
- Increase in EBITDA by 94% y/y
- Increase in net profit by 107% y/y

Strong CFO results in growing cash on the balance sheet

Cash flow



Balance sheet

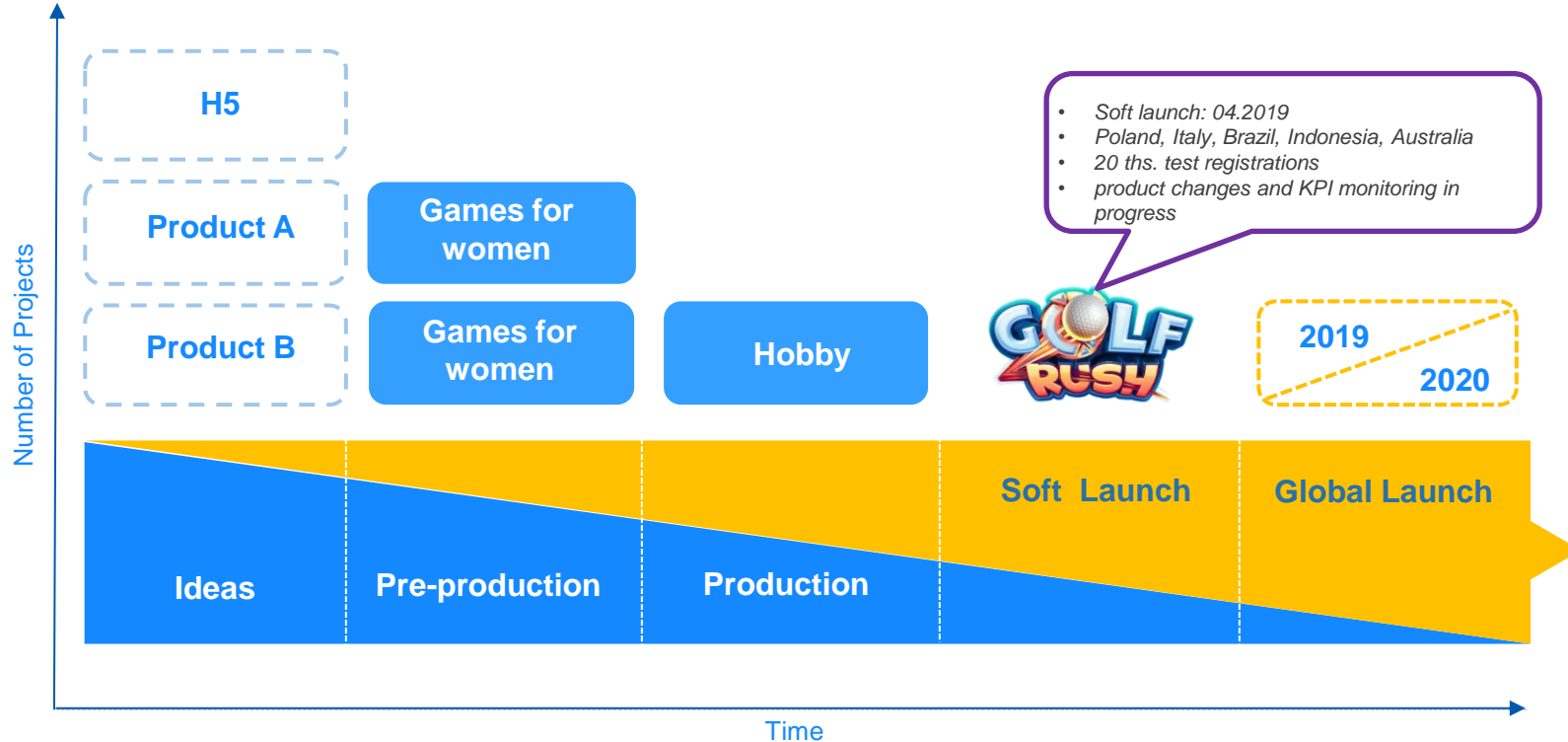


- EBITDA/CFO conversion in Q1'19 - **104%**

- CFO resulting from strong financial performance
- Very good capital structure – cash accounts for 69% of the balance sheet total
- CFI in Q1 2019 related to expenses on new titles (Golf Rush, Hobby game and Games for women)

Wide, diversified pipeline of new projects

Company has publishing comfort by the end of 2020



Live





IR contact

CC GROUP

Tomasz Pelczar

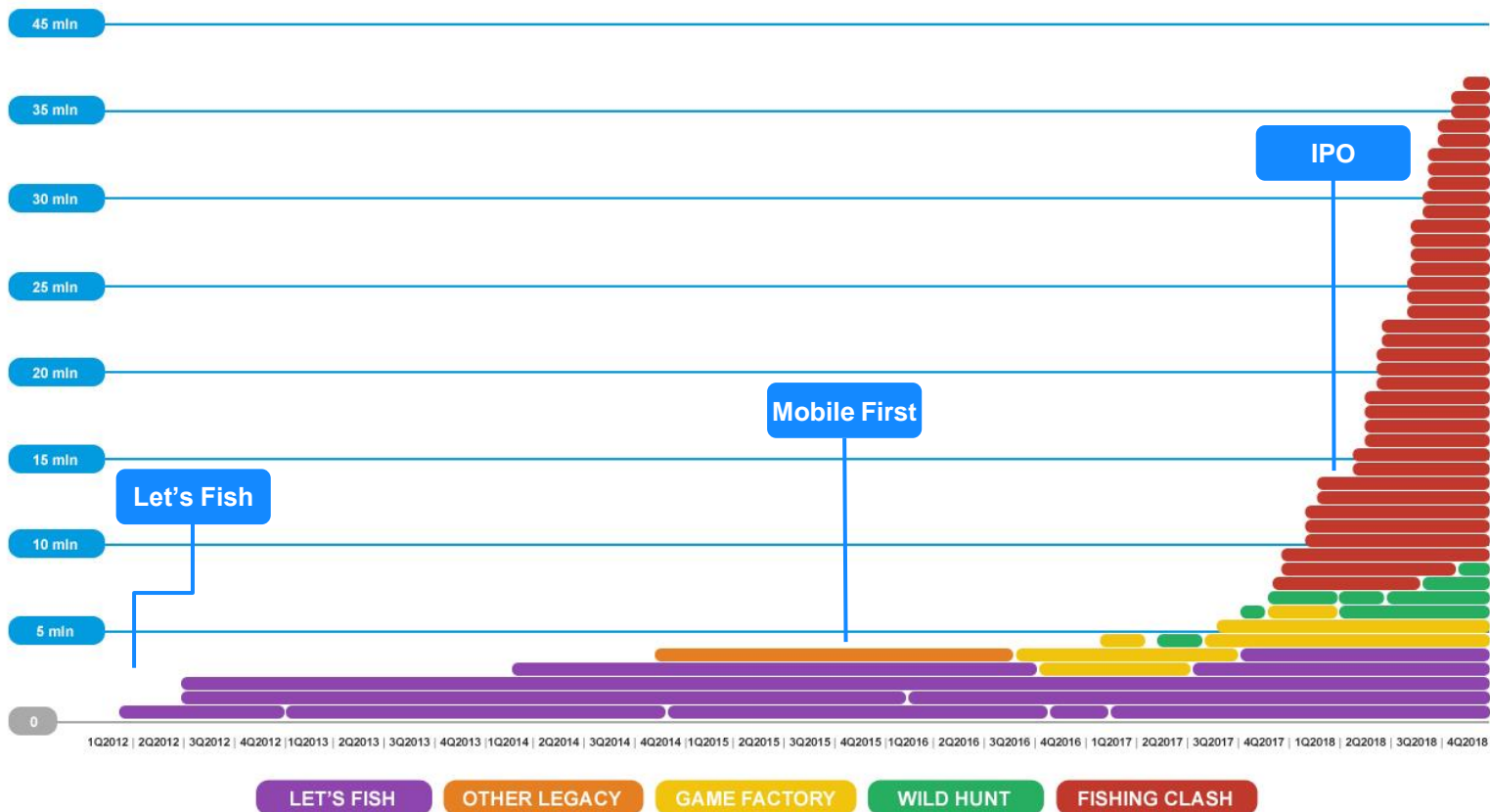
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Attachments

Strategy – we are building a portfolio of game maintained for years



Results summary

Selected items of P&L (PLN k)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	q/q	y/y
Revenue	5 171	5 055	6 794	10 012	14 400	23 871	35 436	41 551	45 304	+9%	+215%
Fishing Clash	86	279	705	2 732	7 560	17 527	28 846	34 831	37 524	+8%	+396%
Let's Fish	2 909	2 491	3 238	4 172	3 705	3 749	4 318	4 682	4 096	-13%	+11%
Wild Hunt	56	86	332	389	668	926	1 265	2 021	2 439	+21%	+265%
Other	2 119	2 200	2 519	2 718	2 467	1 668	1 008	1 238	1 228	-1%	-50%
Deferred revenue	0	0	0	0	0	0	0	-1 221	17	n/a	n/a
COGS	1 398	1 321	1 470	1 653	1 641	1 836	1 994	1 910	1 919	0%	+17%
Gross profit (loss)	3 773	3 734	5 324	8 358	12 758	22 034	33 443	39 641	43 384	+9%	+240%
<i>gross margin</i>	73%	74%	78%	83%	89%	92%	94%	95%	96%	+1 p.p.	+7 p.p.
Cost of sales	1 301	1 325	2 001	3 250	5 644	12 086	19 599	21 306	29 689	+39%	+426%
<i>as % of revenue</i>	25%	26%	29%	32%	39%	51%	55%	51%	66%	+15 p.p.	+27 p.p.
G&A	409	497	647	891	850	1 205	1 028	1 164	1 429	+23%	+68%
EBIT	2 062	1 914	2 675	4 210	6 265	8 743	12 815	16 492	12 296	-25%	+96%
EBITDA	2 214	2 054	2 823	4 350	6 444	8 857	13 023	16 688	12 482	-25%	+94%
<i>EBITDA margin</i>	43%	41%	42%	43%	45%	37%	37%	40%	28%	-12 p.p.	-17 p.p.
Net profit (loss)	1 570	1 406	2 202	3 235	4 999	7 528	10 234	13 709	10 356	-24%	107%
<i>net profitability</i>	30%	28%	32%	32%	35%	32%	29%	33%	23%	-10 p.p.	+12 p.p.

Revenue by regions

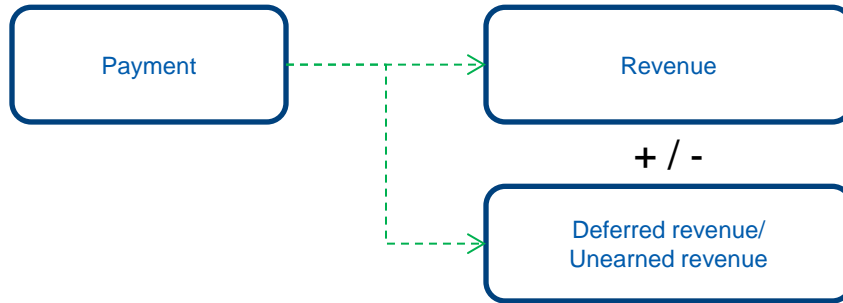
(PLN k)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	q/q	y/y
North America	1 162	1 247	1 581	2 672	4 822	10 938	15 732	16 254	18 841	+16%	+291%
Europe	2 962	2 626	3 685	5 222	6 404	8 818	14 597	19 344	19 059	-1%	+198%
Poland	919	729	1 028	1 558	1 556	1 762	2 534	3 598	3 367	-6%	+116%
Other	2 044	1 897	2 657	3 664	4 848	7 056	12 063	15 746	15 691	0%	+224%
Asia	851	888	1 078	1 599	2 195	2 635	3 191	4 670	5 191	+11%	+136%
South America	119	141	176	235	422	615	786	1 055	922	-13%	+119%
Australia and Oceania	59	141	234	214	389	579	685	762	860	+13%	+121%
Africa	17	12	40	70	169	286	447	686	415	-39%	+146%

Share in revenue (%)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	q/q	y/y
North America	22,5%	24,7%	23,3%	26,7%	33,5%	45,8%	44,4%	39,1%	41,6%	+2,5 p.p.	+8,1 p.p.
Europe	57,3%	51,9%	54,2%	52,2%	44,5%	36,9%	41,2%	46,6%	42,1%	-4,5 p.p.	-2,4 p.p.
Poland	17,8%	14,4%	15,1%	15,6%	10,8%	7,4%	7,2%	8,7%	7,4%	-1,3 p.p.	-3,4 p.p.
Other	39,5%	37,5%	39,1%	36,6%	33,7%	29,6%	34,0%	37,9%	34,6%	-3,3 p.p.	+0,9 p.p.
Asia	16,5%	17,6%	15,9%	16,0%	15,2%	11,0%	9,0%	11,2%	11,5%	+0,3 p.p.	-3,7 p.p.
South America	2,3%	2,8%	2,6%	2,3%	2,9%	2,6%	2,2%	2,5%	2,0%	-0,5 p.p.	-0,9 p.p.
Australia and Oceania	1,1%	2,8%	3,4%	2,1%	2,7%	2,4%	1,9%	1,8%	1,9%	+0,1 p.p.	-0,8 p.p.
Africa	0,3%	0,2%	0,6%	0,7%	1,2%	1,2%	1,3%	1,7%	0,9%	-0,8 p.p.	-0,3 p.p.

Changes in accounting principles

Changes in booking revenues according to IFRS 15

„Revenue is recognized when the customers has received all the benefits associated with the performance obligation”



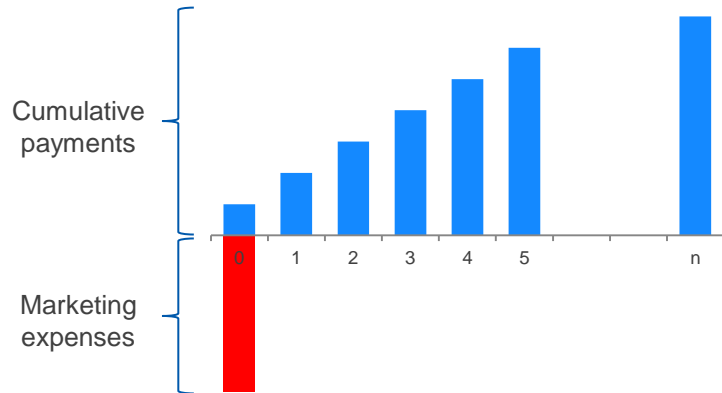
- Payment -> a player purchases virtual currency
- Revenue -> the player uses the virtual currency to purchase a virtual goods (e.g. rods, lure packs)
- Deferred revenue -> unused balance of virtual currency booked as „Unearned revenue” on the balance sheet

Marketing expenses policy

Marketing expenses

„We invest in marketing provided we get positive returns throughout user lifetime”

Marketing expenses model
cumulative approach



- The group invests in marketing at point „0”. Cohort acquired in this period analyzed throughout user lifetime (period „0” to „n”)
- The Group monitors the current performance of acquired user cohorts
- Decision regarding marketing expenses based on several basic variables (user profitability, user acquisition cost, user life cycle)

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