



ten square_games

Q2 2019 Results

August 2019

Ten Square Games – F2P sporting games leader



190 people

STRENGTHENED TEAM



F2P games

8 LARGE PROJECTS



~ 90%

OF INTERNATIONAL SALES



PLN 80.7 m

1H 2019 revenue



PLN 7.4 m

1H 2019 revenue



PLN 4.5 m

1H 2019 revenue

1H 2019 Results

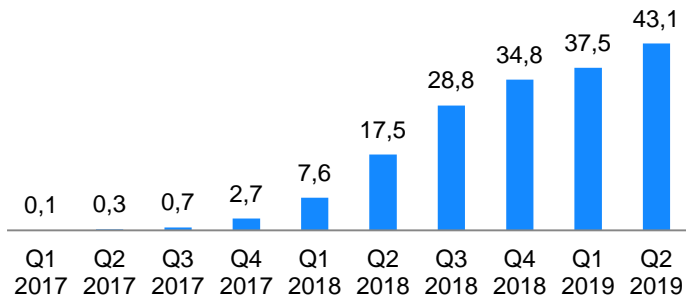
Executive summary



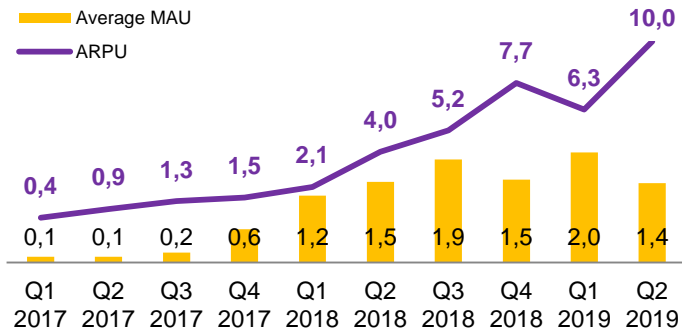
- Very good financial results
 - Good sales results of Fishing Clash in the consecutive quarter
 - **PLN 95.2 m** revenue in 1H 2019 – increase by **148%** y/y and **10%** q/q
 - **PLN 13.1 m** net profit in Q2 2019- increase by **87%** y/y and **26%** q/q
- **PLN 28.9 m** EBITDA in 1H 2019
- Preparations for Fishing Clash launch on the Chinese market
- Strengthened team of 190 specialists
- 8 parallel projects, including 4 new in the production phase
- Soft launch of Hobby Game according to the schedule in Q4 2019

Fishing Clash – steady growth of the results

Payments (PLN m)



Average MAU (m) and monthly ARPU (PLN)

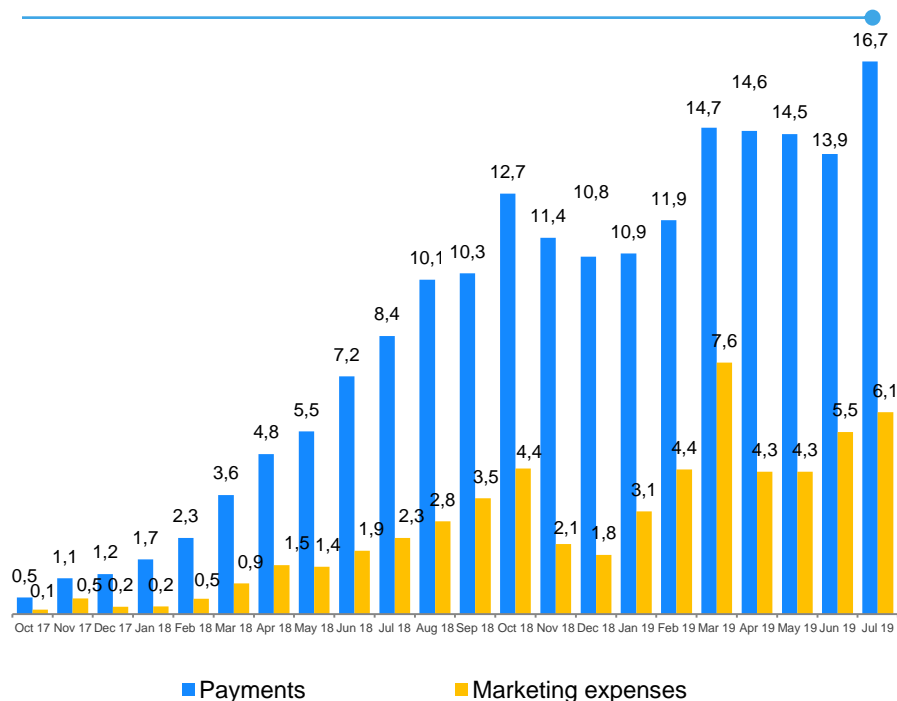


- **15%** increase in payments q/q in Q2 2019
- Successful Closed Beta tests on the Chinese market, iOS launch
- Active game management through live-ops
- Game development (new fish, new fisheries) and improved functionality
- Lower MAU q/q related smaller amount of featurings



Fishing Clash – effective marketing strategy

Payments and marketing expenses (PLN m)

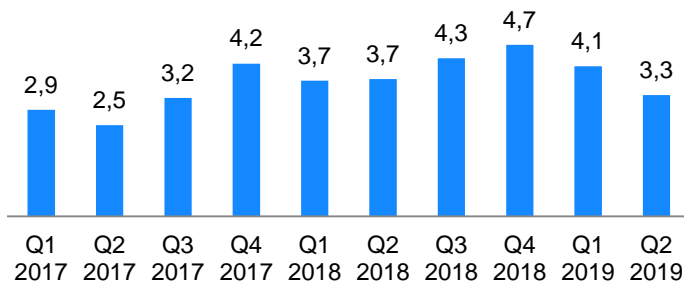


- Record-breaking payments in July 2019 as a result of effective marketing strategy
- PLN 14.1 m spent on the promotion of the Fishing Clash game in Q2 2019
- Scaling of marketing expenses based on statistical models (expectation of high ROIs)
- Upcoming expansion of marketing channels
- Work on improving game KPIs and effectiveness of marketing techniques

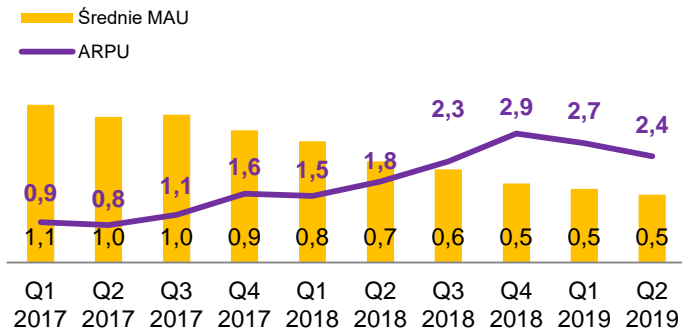


Let's Fish – big technological change

Payments (PLN m)



Average MAU (m) and monthly ARPU (PLN)

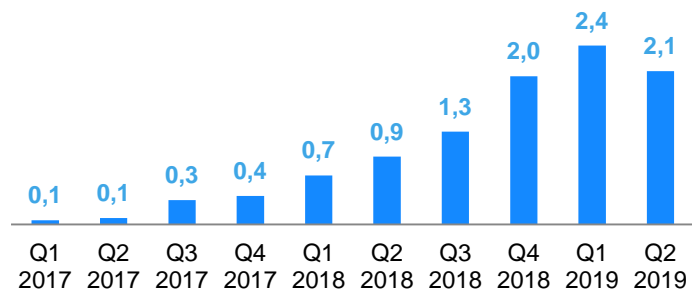


- **PLN 3.3 m** revenue in Q2 2019 compared to **PLN 3.7 m** in Q2 2018 – a decrease by **11%** y/y
- Difficult technological change in Q2 2019 – transfer from Flash to Html5 technology
- Stable MAU and ARPU, despite technological change

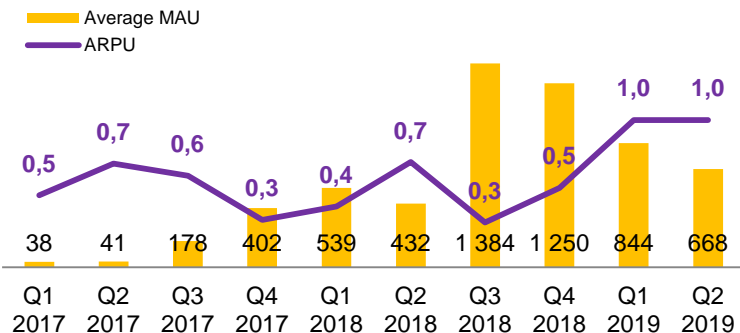


Wild Hunt – stable 6 months of 2019

Payments (PLN m)



Average MAU (k) and monthly ARPU (PLN)



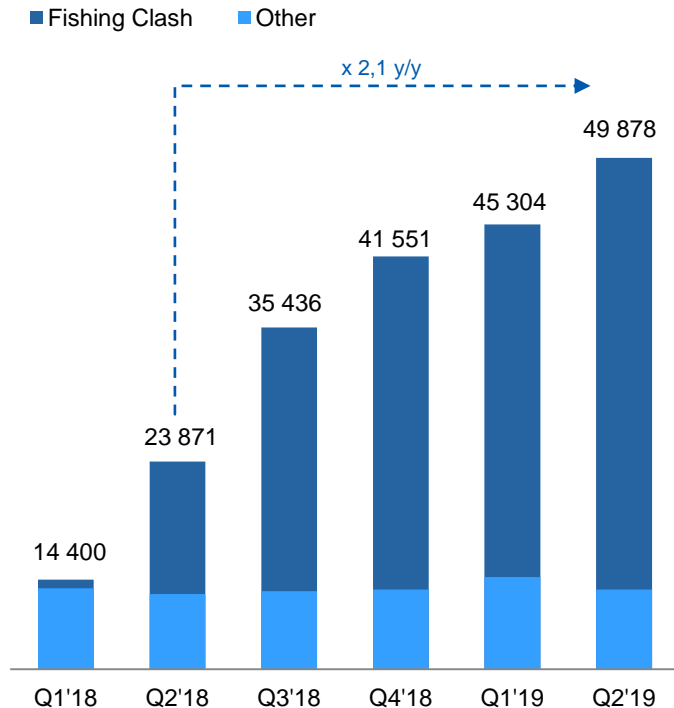
- **133 %** increase in revenue in Q2 2019 y/y
- **PLN 2.1 m** in revenue in Q2 2019 compared to **PLN 0.9 m** in Q2 2018
- PLN 0.2 m spent on the promotion of Wild Hunt game in Q2 2019
- Stable development of game based on good cooperation with distribution platforms (Apple, Google)



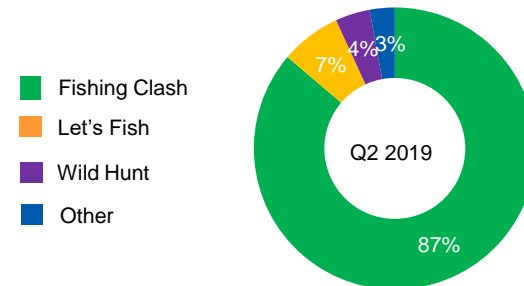
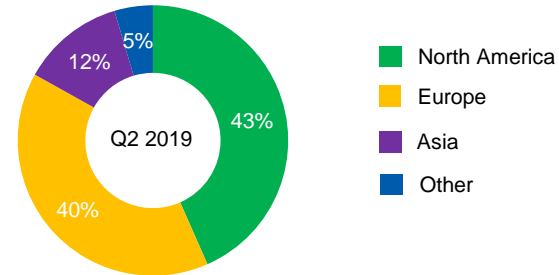
High dynamic of revenue growth

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

Revenue (PLN k)



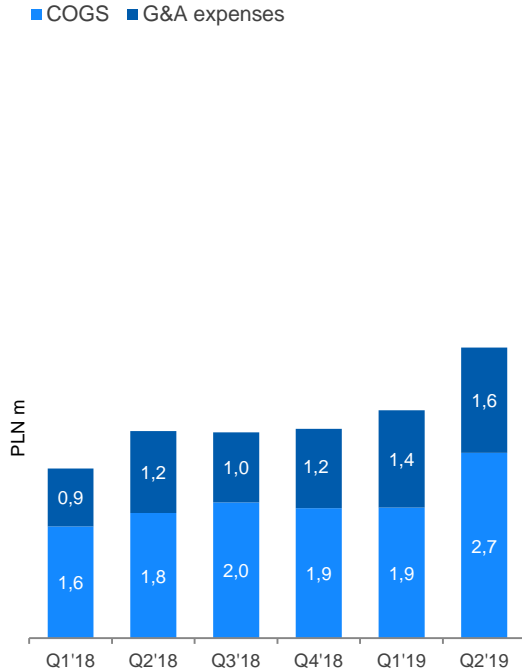
Geographical and product structure of revenue



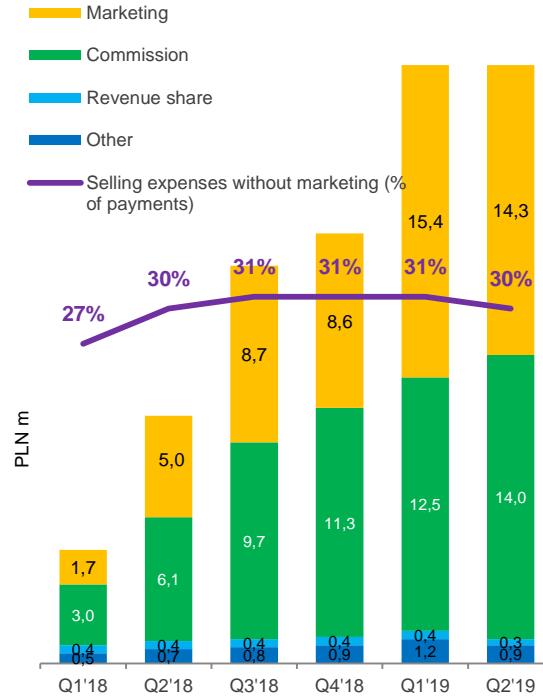
- Stable level of revenue of gaming portfolio ex. Fishing Clash

Operating costs under control

Operating costs without selling costs



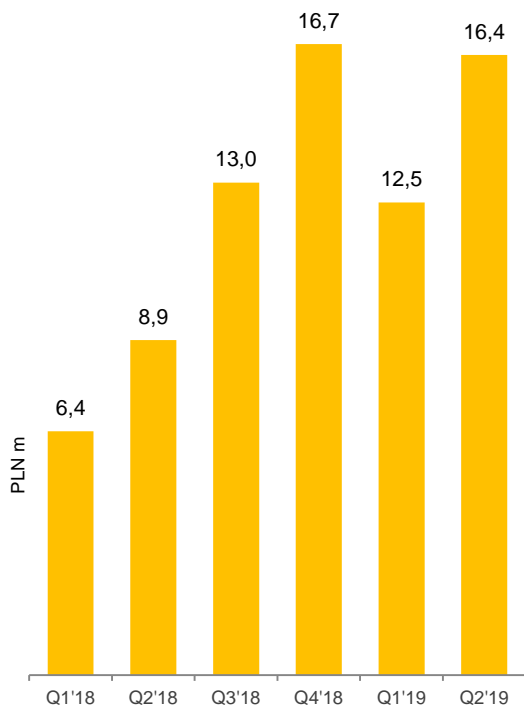
Selling cost



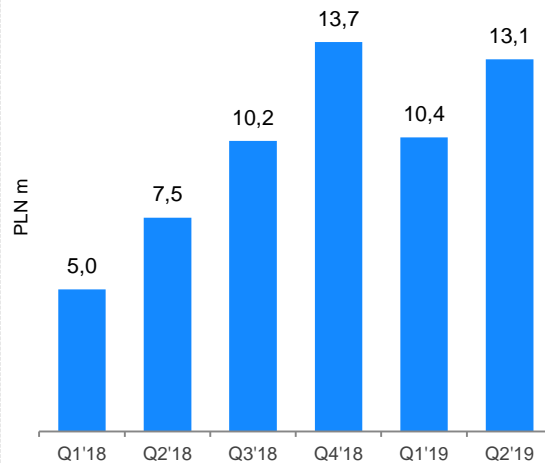
- Increase in operating costs related to a gradual increase in headcount (project teams, general departments)
- Increase in commission resulting from higher revenue
- Increased marketing budgets adjusted to current game development

Financial performance resulting from revenue growth

EBITDA



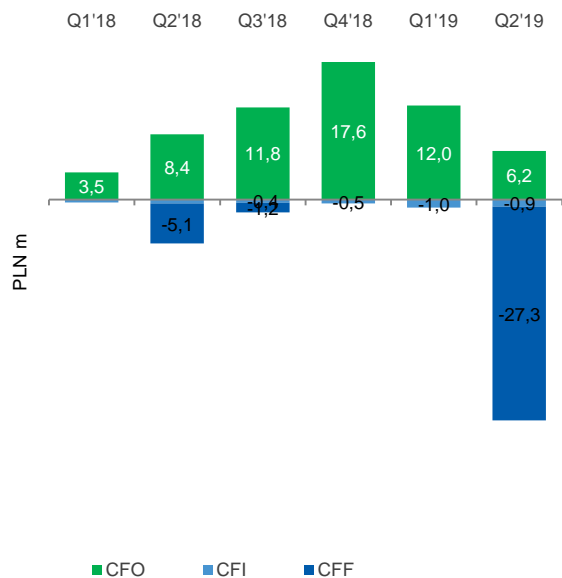
Net profit



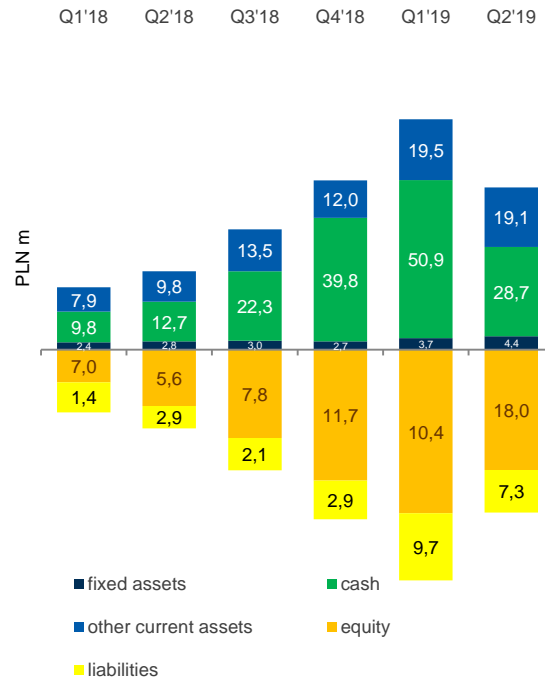
- The second-best quarter in terms of results in the Company's history
- Increase in EBITDA by 84% y/y
- Increase in net profit by 75% y/y
- IPBOX – tax interpretation in coming weeks

Strong CFO results in growing cash on the balance sheet

Cash flow

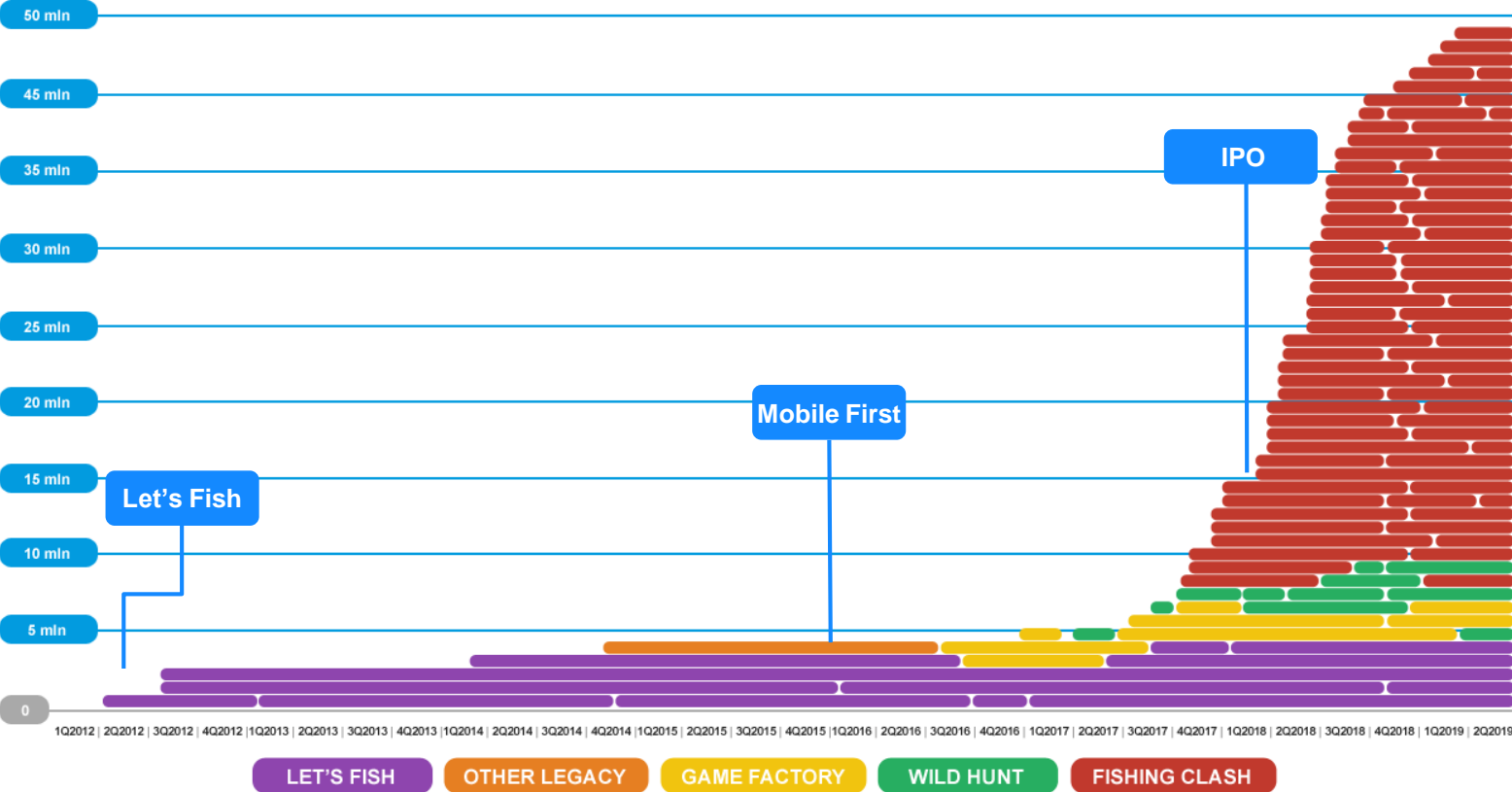


Balance Sheet

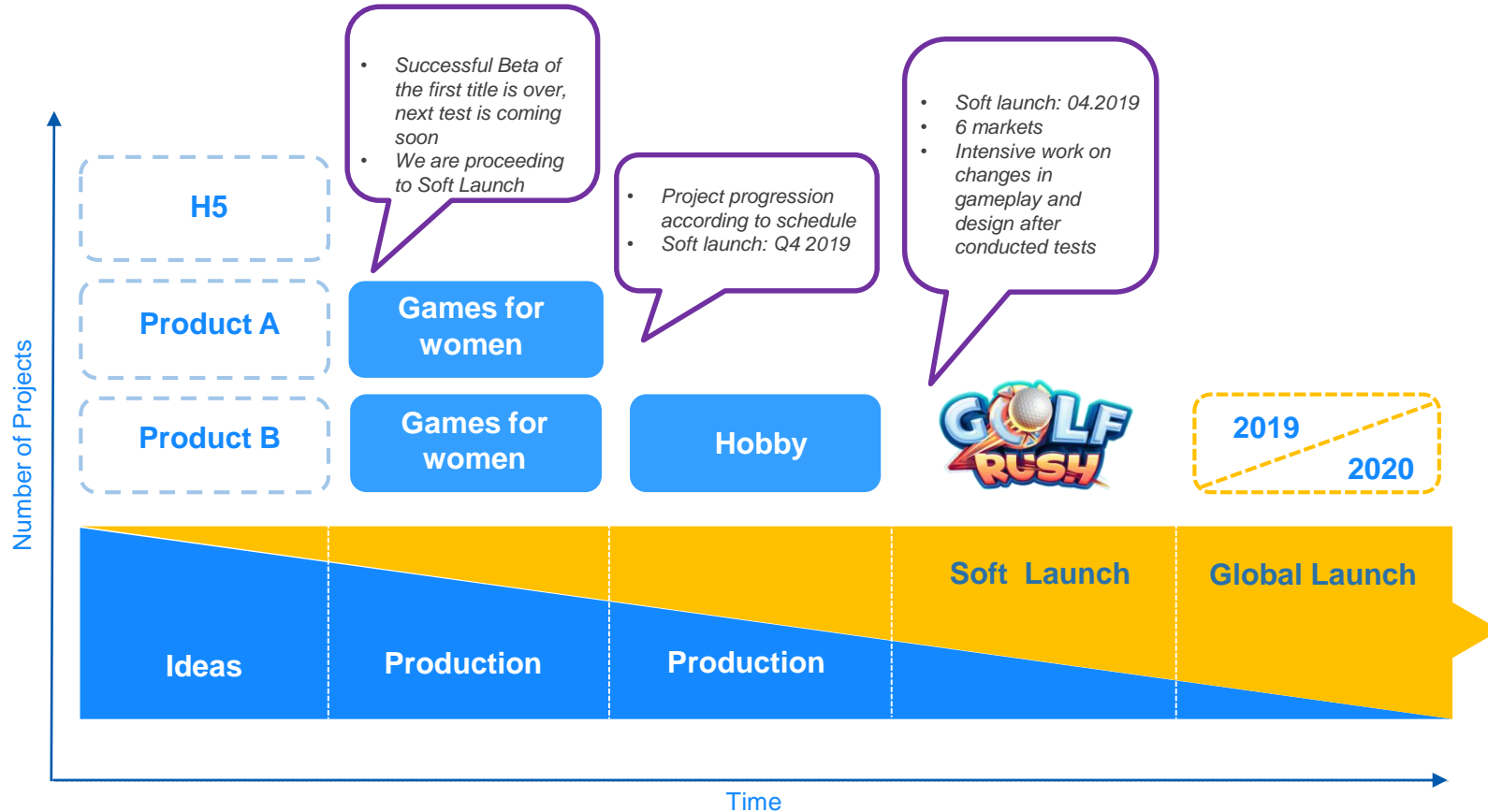


- CFO resulting from financial performance – lower figure in Q2 2019 due to CIT payment for 2018 (PLN 7.7 m)
- CFI in Q2 2019 related to expenses on new titles (Golf Rush, Hobby game, Games for women)
- CFF in Q2 2019 - dividend payment from 2018 profit (*dividend yield - 2,86%*)
- Very good capital structure – cash accounts for 55% of the balance sheet total

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



Wide, diversified pipeline of new projects



Live





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Attachments

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	Q2'19	q/q	y/y
Revenue	5 171	5 055	6 794	10 012	14 400	23 871	35 436	41 551	45 304	49 878	+10%	+109%
Fishing Clash	86	279	705	2 732	7 560	17 527	28 846	34 831	37 524	43 147	+15%	+146%
Let's Fish	2 909	2 491	3 238	4 172	3 705	3 749	4 318	4 682	4 096	3 316	-19%	-12%
Wild Hunt	56	86	332	389	668	926	1 265	2 021	2 439	2 094	-14%	+126%
Other	2 119	2 200	2 519	2 718	2 467	1 668	1 008	1 238	1 228	1 368	+11%	-18%
Deferred revenue	0	0	0	0	0	0	0	-1 221	17	-48	n/a	n/a
COGS	1 398	1 321	1 470	1 653	1 641	1 836	1 994	1 910	1 919	2 722	+42%	+48%
Gross profit (loss)	3 773	3 734	5 324	8 358	12 758	22 034	33 443	39 641	43 384	47 155	+9%	+114%
<i>gross margin</i>	73%	74%	78%	83%	89%	92%	94%	95%	96%	95%	-1 p.p.	+3 p.p.
Cost of sales	1 301	1 325	2 001	3 250	5 644	12 086	19 599	21 306	29 689	29 479	-1%	+144%
<i>as % of revenue</i>	25%	26%	29%	32%	39%	51%	55%	51%	66%	59%	-7 p.p.	+8 .p.p.
G&A	409	497	647	891	850	1 205	1 028	1 164	1 429	1 549	+8%	+29%
EBIT	2 062	1 914	2 675	4 210	6 265	8 743	12 815	16 492	12 296	16 130	+31%	+84%
EBITDA	2 214	2 054	2 823	4 350	6 444	8 857	13 023	16 688	12 482	16 400	+31%	+85%
<i>EBITDA margin</i>	43%	41%	42%	43%	45%	37%	37%	40%	28%	33%	+5 p.p.	-4 p.p.
Net profit (loss)	1 570	1 406	2 202	3 235	4 999	7 528	10 234	13 709	10 356	13 054	+26%	+73%
<i>net profitability</i>	30%	28%	32%	32%	35%	32%	29%	33%	23%	26%	+3 p.p.	-6 p.p.

Revenue by regions

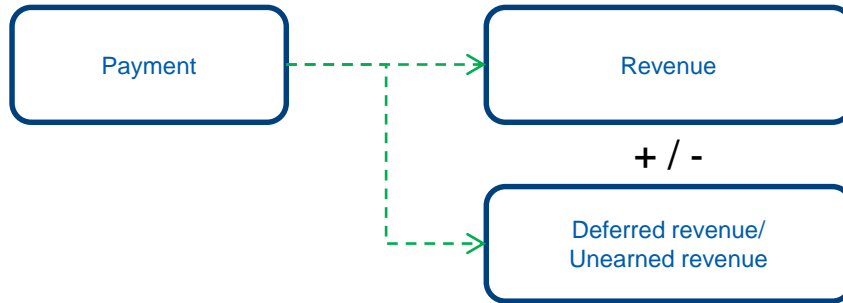
(PLN k)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	q/q	y/y
North America	1 162	1 247	1 581	2 672	4 822	10 938	15 732	16 254	18 841	21 646	+15%	+98%
Europe	2 962	2 626	3 685	5 222	6 404	8 818	14 597	19 344	19 059	19 790	+4%	+124%
Poland	919	729	1 028	1 558	1 556	1 762	2 534	3 598	3 367	3 170	-6%	+80%
Other	2 044	1 897	2 657	3 664	4 848	7 056	12 063	15 746	15 691	16 620	+6%	+136%
Asia	851	888	1 078	1 599	2 195	2 635	3 191	4 670	5 191	6 134	+18%	+133%
South America	119	141	176	235	422	615	786	1 055	922	975	+6%	+59%
Australia and Oceania	59	141	234	214	389	579	685	762	860	957	+11%	+65%
Africa	17	12	40	70	169	286	447	686	415	423	+2%	+48%

Share in revenue (%)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	q/q	y/y
North America	22,5%	24,7%	23,3%	26,7%	33,5%	45,8%	44,4%	39,1%	41,6%	43,4%	+1,8 p.p.	-2,4 p.p.
Europe	57,3%	51,9%	54,2%	52,2%	44,5%	36,9%	41,2%	46,6%	42,1%	39,7%	-2,4 p.p.	+2,7 p.p.
Poland	17,8%	14,4%	15,1%	15,6%	10,8%	7,4%	7,2%	8,7%	7,4%	6,4%	-1,1 p.p.	-1,0 p.p.
Other	39,5%	37,5%	39,1%	36,6%	33,7%	29,6%	34,0%	37,9%	34,6%	33,3%	-1,3 p.p.	+3,8 p.p.
Asia	16,5%	17,6%	15,9%	16,0%	15,2%	11,0%	9,0%	11,2%	11,5%	12,3%	+0,8 p.p.	+1,3 p.p.
South America	2,3%	2,8%	2,6%	2,3%	2,9%	2,6%	2,2%	2,5%	2,0%	2,0%	-0,1 p.p.	-0,6 p.p.
Australia and Oceania	1,1%	2,8%	3,4%	2,1%	2,7%	2,4%	1,9%	1,8%	1,9%	1,9%	+0,0 p.p.	-0,5 p.p.
Africa	0,3%	0,2%	0,6%	0,7%	1,2%	1,2%	1,3%	1,7%	0,9%	0,8%	-0,1 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”



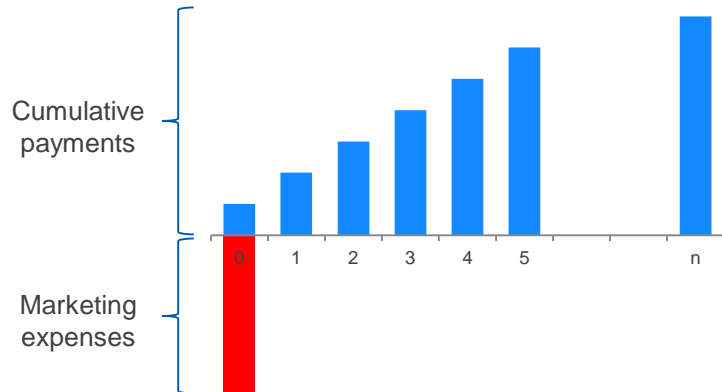
- Payment -> a player purchases virtual currency
- Revenue -> the player uses the virtual currency to purchase a virtual goods (e.g. rods, lure packs)
- Deferred revenue -> unused balance of virtual currency booked as „Unearned revenue” on the balance sheet

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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