

# Q4 2019 results

*March 2020*



# 2019 – year in snapshot



**139→225\* people**

Strengthened team



**Revenue 115→241M PLN  
+109% yoy**

**Net profit 36→76M PLN  
+109% yoy**



**F2P games**

8 big projects



**New games**

Three new titles  
in soft launch



**> 90%**

Sales outside of Poland



**9,7% Effective  
tax rate**

IP BOX – tax relief

\* As of March 2020

# **Q4 2019 Results**



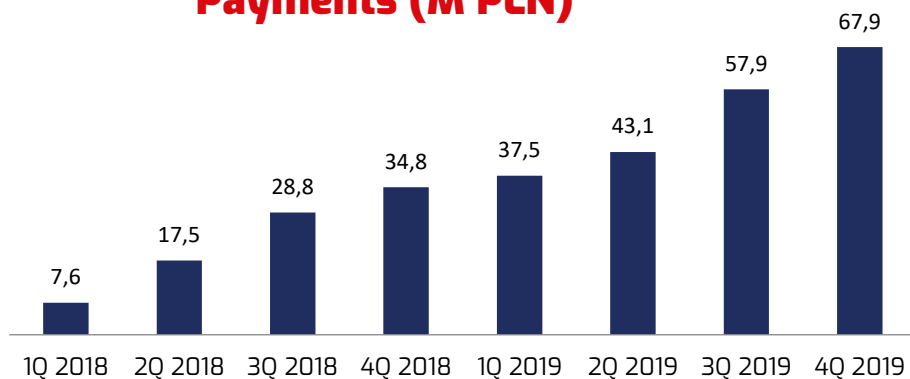
## Q4 2019 highlights



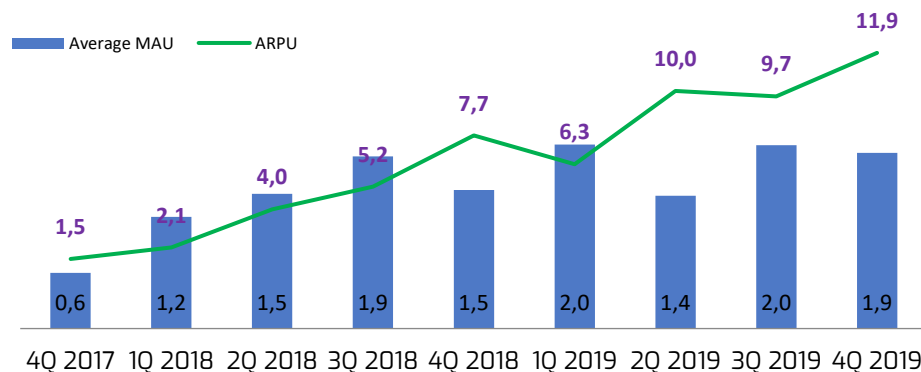
- Outstanding results in Q4 2019
  - Another quarter in a row of historically high Fishing Clash revenues
  - **78,3 M PLN** revenues in Q4 2019 – up by **88%** yoy and **16%** qoq
  - **34,8 M PLN** net profit in Q4 – up by **154%** yoy and **92%** qoq
- Stronger team - already 225 professionals
- 8 simultaneous projects, 4 live, 3 in soft launch, 1 in production
- Decision to set up a new dev team in Warsaw

# Fishing Clash – constant improvement of results

## Payments (M PLN)



## Average MAU (M) and monthly ARPU (PLN)

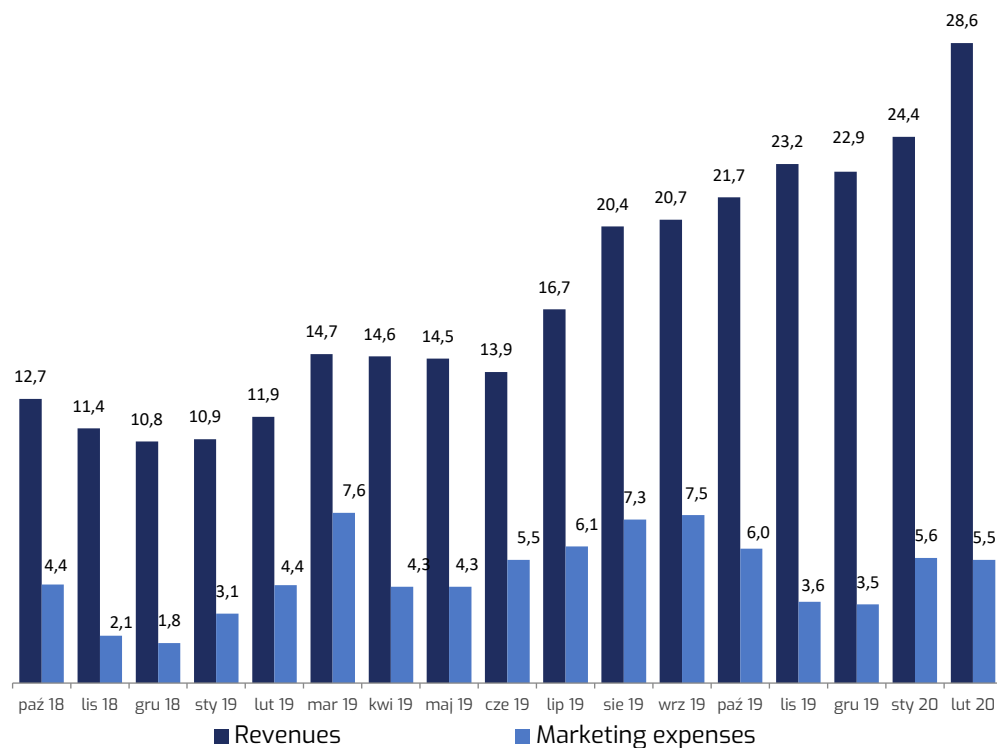


- **16%** increase of payments qoq in Q4 2019
- Awaiting a licence for Chinese market
- Constant live-ops activities
- Further game development – added in Q4: 2 new fisheries, 50 new fish, new monetization improving features (wheel of fortune)



# Fishing Clash – effective marketing policy

## Payments and marketing expenses (M PLN)

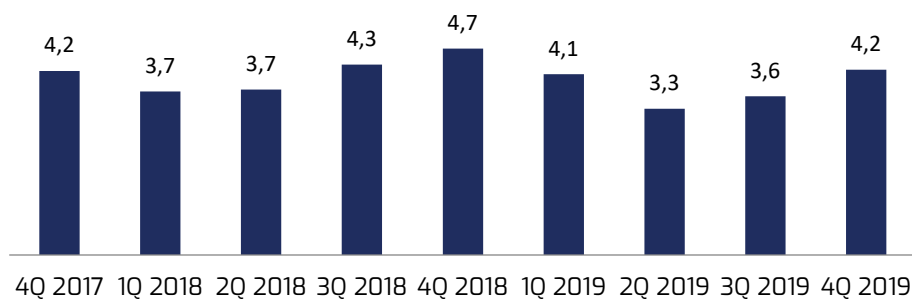


- Record months result from effective marketing strategy and improved monetisation
- Marketing expenses level scaled based on statistical models (expected high ROI); expenses reduced in the last months of the year as planned, since January 2020 back to standard levels
- In Q4 2019 promotion of Fishing Clash cost over 13 M PLN – 8 M PLN less than in Q3
- Constant work on improvement of game and marketing parameters



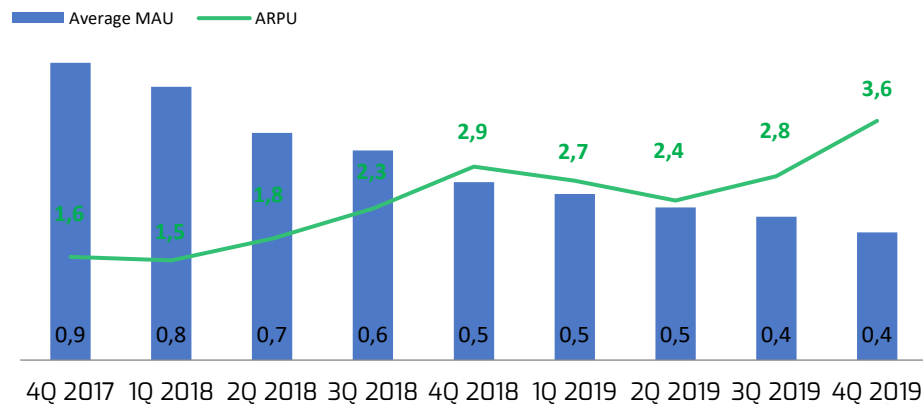
# Let's Fish – stable revenue levels

## Payments (M PLN)



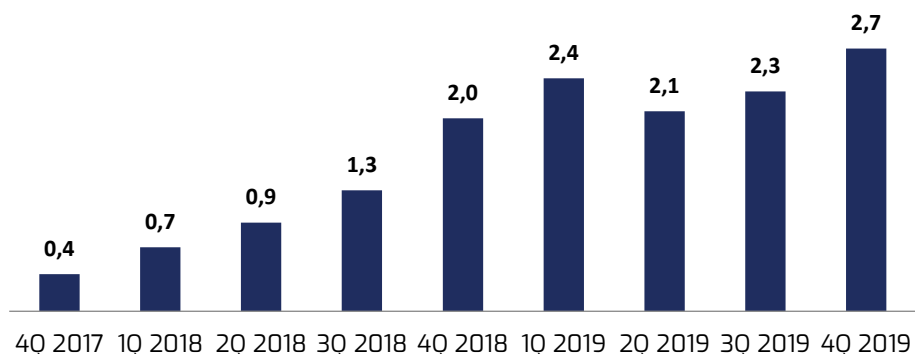
- **4,2M PLN** revenue in Q4 2019 as compared to **4,7 M PLN** in 4Q 2018 – down by **10%** yoy, up by **17%** qoq
- Difficult technical shift in mid 2019 – transfer from Flash to Html5
- Increase of ARPU resulting from lower MAU and constant work on the product – new in Q4: 3 new fisheries, dozens of new fish, new skill sets, new version of Daily Rewards (better retention), development of Live Ops

## Average MAU (M) and monthly ARPU (PLN)

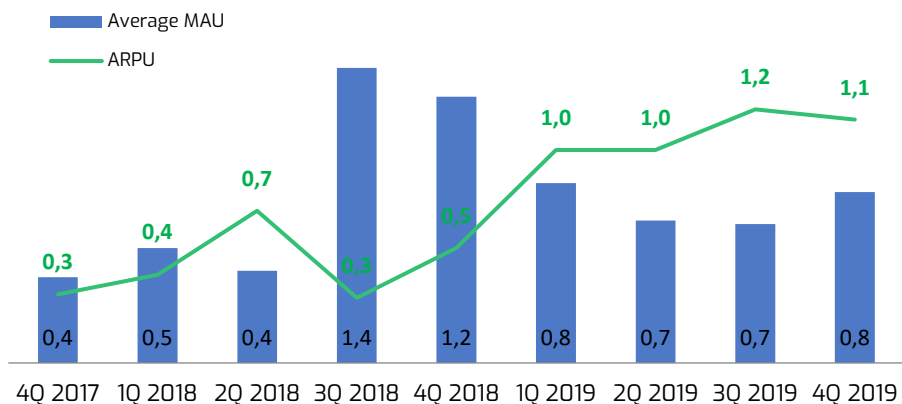


# Wild Hunt – record high quarterly revenues

## Payments (M PLN)



## Average MAU (M) and monthly ARPU (PLN)



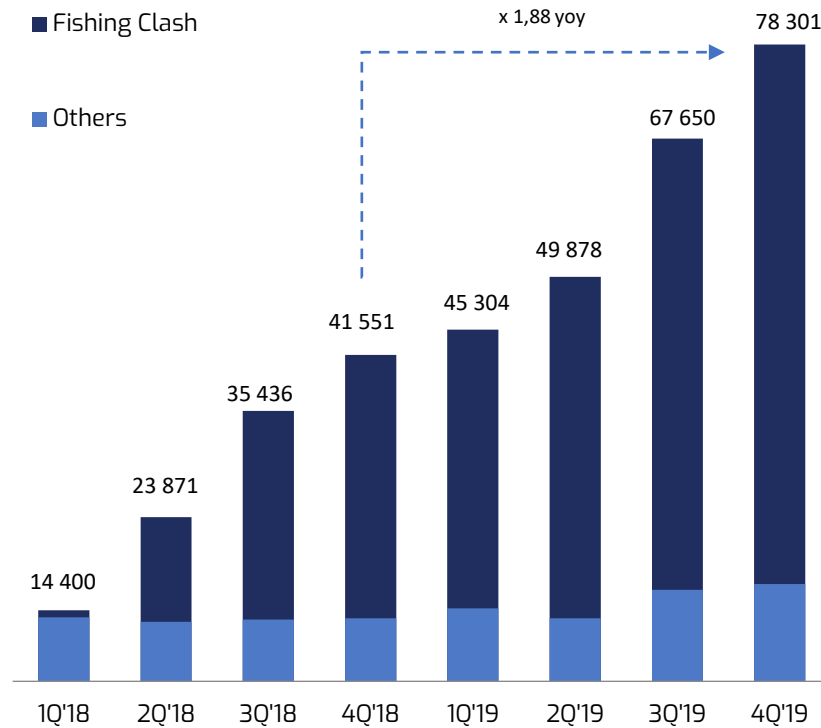
- **36 %** revenue growth in Q4 2019 yoy
- **2,7 M PLN** revenues in Q4 2019 as compared to **2,0 M PLN** in Q4 2018
- In Q4 2019 about 0,25 M PLN was spent on promotion
- Game development based on good cooperation with distribution partners (Apple, Google)



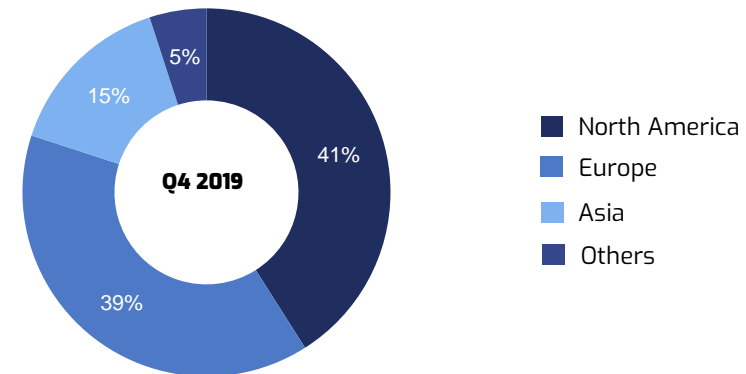


# High sales revenue dynamics

## Sales revenues (k PLN)

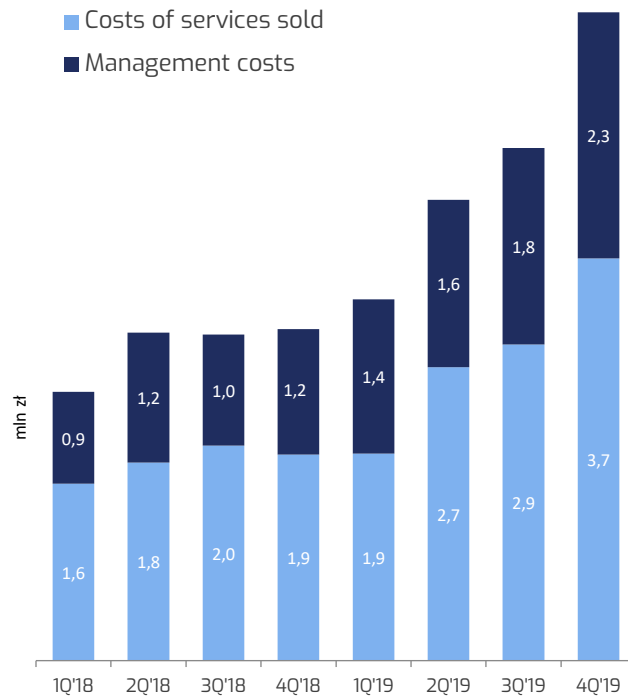


## Geographical and product breakdown of revenues

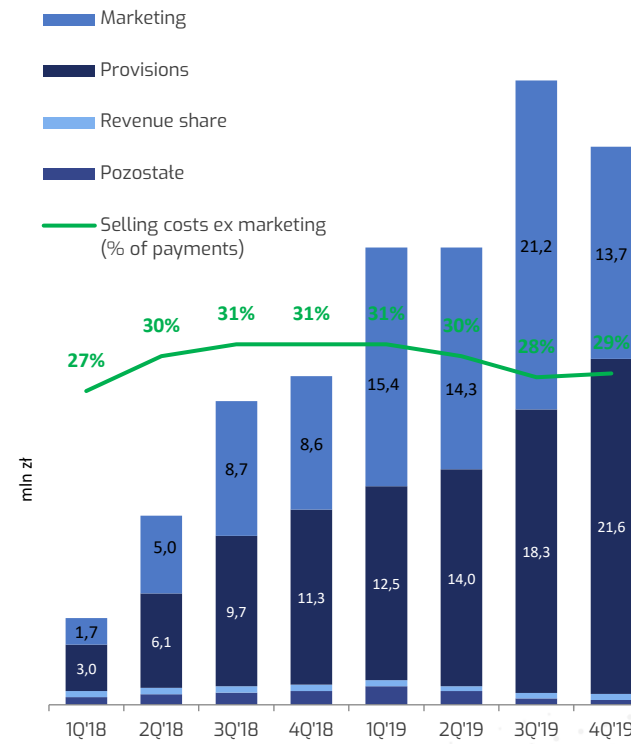


# Operating costs under control

## Operating costs excluding selling costs



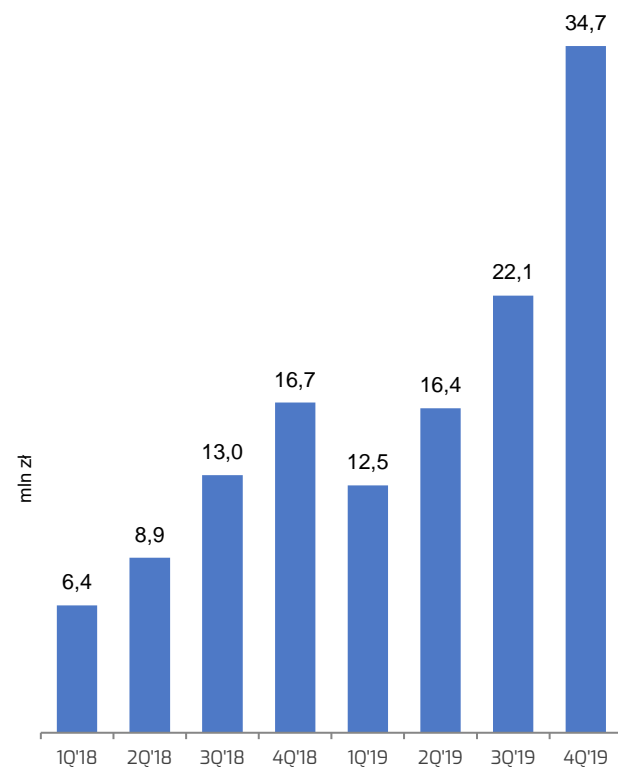
## Selling costs



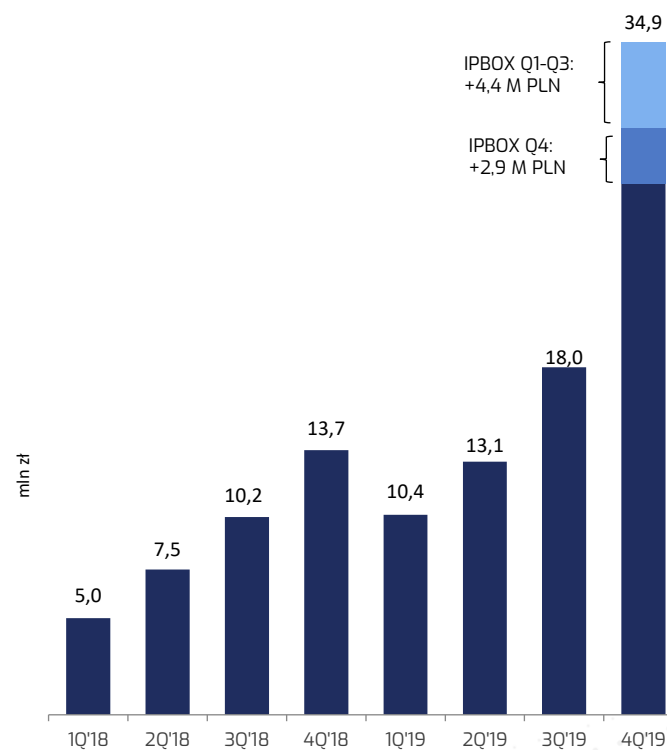
- Increasing operating costs due to growth of the team (game development, general management)
- Costs of services sold grow as new games move from production to soft launch
- Provision costs grow in par with revenues
- Marketing budgets scaled to game growth dynamics

# Best ever financial results

## EBITDA



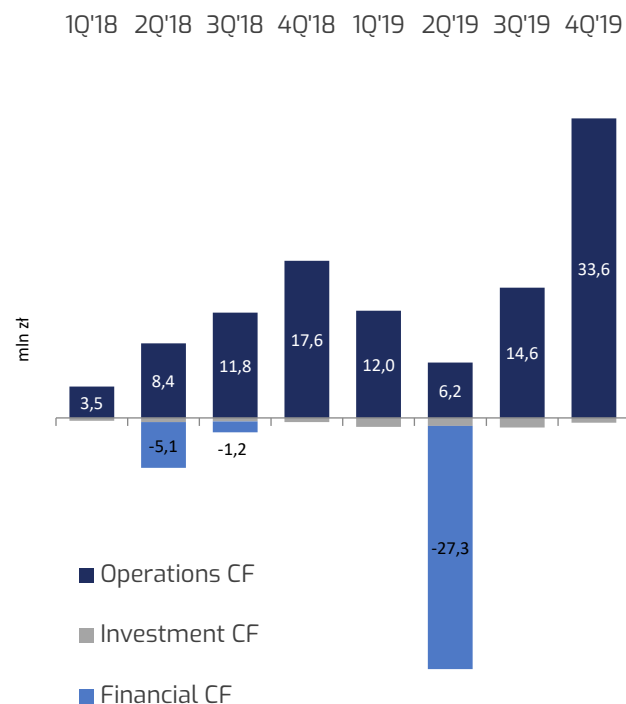
## Net profit



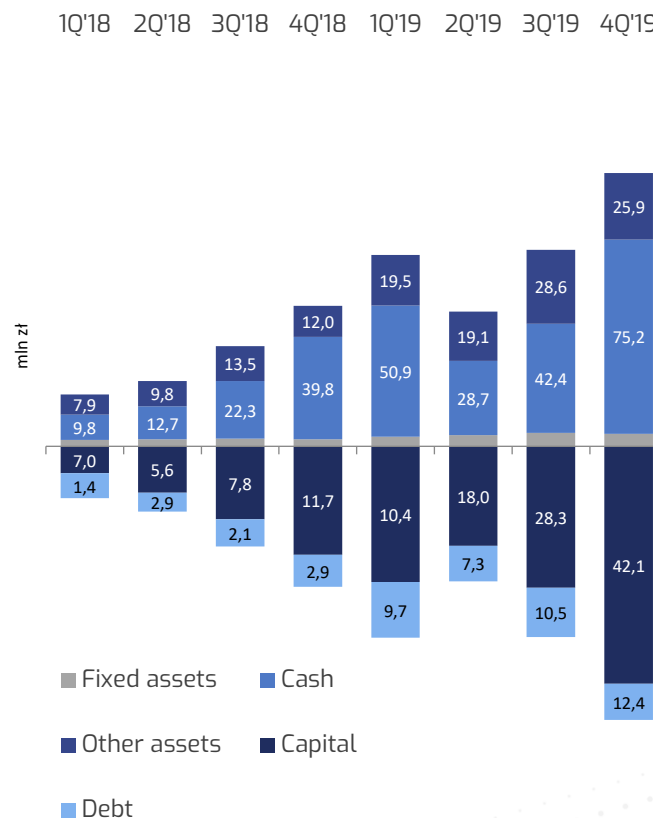
- Best quarterly results in Company's history
- EBITDA up by 107% yoy
- Net profit up by 154% yoy
- IPBOX – the whole tax relief for 2019 accounted for in Q4 boosts quarterly net profit (+7,3 M PLN)

# High cash flow translates to more cash on balance sheet

## Cash flow



## Balance sheet structure



- Operations Cash flow in Q4 2019 higher than in three previous quarters combined
- Great balance sheet – over 70% of total assets is cash
- Lower cash flow from operations in Q2 2019 resulted from payment of CIT for 2018 rok (7,7 M PLN)



# Most important goals and challenges for 2020



**Constant team strengthening**



**Portfolio development**



**New markets, potential transactions**



**Further improvement of games**

Constant work on the products, User Acquisition, Fishing Clash to enter China



**Product diversification**

Three new products in soft launch, one in production



**New dev team in Warsaw**

**Potential M&A transactions**

## Investor calendar – upcoming events

- **WOOD's EME Virtual Conference** – 25-26.03.2020
- **Q1 2020 revenue report** – early April 2020
- **Q1 2020 financial report** – 25.05.2020 (live or video conference on 26.05.2020)

# THANK YOU

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# Results summary – P&L

Selected items of P&L in k PLN	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	q/q	y/y
<b>Revenues from sales</b>	<b>14 400</b>	<b>23 871</b>	<b>35 436</b>	<b>41 551</b>	<b>45 304</b>	<b>49 878</b>	<b>67 650</b>	<b>78 301</b>	<b>+16%</b>	<b>+88%</b>
Fishing Clash	7 560	17 527	28 846	34 831	37 524	43 147	57 896	67 933	+17%	+95%
Let's Fish	3 705	3 749	4 318	4 682	4 096	3 316	3 600	4 202	+17%	-10%
Wild Hunt	668	926	1 265	2 021	2 439	2 094	2 344	2 749	+17%	+36%
Others	2 467	1 668	1 008	1 238	1 228	1 368	4 227	3 752	-11%	+203%
Deferred revenues	0	0	0	-1 221	17	-48	-417	-335	-20%	-73%
<b>COGS</b>	<b>1 641</b>	<b>1 836</b>	<b>1 994</b>	<b>1 910</b>	<b>1 919</b>	<b>2 722</b>	<b>2 931</b>	<b>3 781</b>	<b>+29%</b>	<b>+98%</b>
<b>Gross profit on sales</b>	<b>12 758</b>	<b>22 034</b>	<b>33 443</b>	<b>39 641</b>	<b>43 384</b>	<b>47 155</b>	<b>64 719</b>	<b>74 520</b>	<b>+15%</b>	<b>+88%</b>
GPS margin	89%	92%	94%	95%	96%	95%	96%	95%	-1 p.p.	+0 p.p.
Selling costs	5 644	12 086	19 599	21 306	29 689	29 479	41 041	36 946	-10%	+73%
As % of revenues	39%	51%	55%	51%	66%	59%	61%	47%	-14 p.p.	-4 p.p.
General and administrative costs	850	1 205	1 028	1 164	1 429	1 549	1 898	2 208	+16%	+90%
<b>EBIT</b>	<b>6 265</b>	<b>8 743</b>	<b>12 815</b>	<b>16 492</b>	<b>12 296</b>	<b>16 130</b>	<b>21 776</b>	<b>34 376</b>	<b>+58%</b>	<b>+108%</b>
<b>EBITDA</b>	<b>6 444</b>	<b>8 857</b>	<b>13 023</b>	<b>16 688</b>	<b>12 482</b>	<b>16 400</b>	<b>22 095</b>	<b>34 750</b>	<b>+57%</b>	<b>+108%</b>
EBITDA margin	45%	37%	37%	40%	28%	33%	33%	44%	+11 p.p.	+4 p.p.
<b>Net profit</b>	<b>4 999</b>	<b>7 528</b>	<b>10 234</b>	<b>13 709</b>	<b>10 356</b>	<b>13 054</b>	<b>18 149</b>	<b>34 827</b>	<b>+92%</b>	<b>+154%</b>
Net profit margin	35%	32%	29%	33%	23%	26%	27%	44%	+17 p.p.	+11 p.p.
<b>Team size</b>	<b>113</b>	<b>124</b>	<b>131</b>	<b>139</b>	<b>151</b>	<b>168</b>	<b>200</b>	<b>215</b>		



# Results summary – balance sheet

Selected positions in k PLN	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19
<b>ASSETS</b>								
<b>Fixed assets</b>	<b>2 444</b>	<b>2 761</b>	<b>2 963</b>	<b>2 701</b>	<b>3 733</b>	<b>4 433</b>	<b>5 176</b>	<b>4 936</b>
Trade receivables	6 684	8 734	12 228	10 671	16 249	15 652	24 012	20 737
Cash and cash equivalents	9 815	12 731	22 335	39 751	50 890	28 745	42 376	75 230
<b>Current assets</b>	<b>17 678</b>	<b>22 552</b>	<b>35 813</b>	<b>51 766</b>	<b>70 399</b>	<b>47 861</b>	<b>71 021</b>	<b>101 109</b>
<b>Total assets</b>	<b>20 123</b>	<b>25 313</b>	<b>38 776</b>	<b>54 468</b>	<b>74 132</b>	<b>52 293</b>	<b>76 197</b>	<b>106 045</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>10 439</b>	<b>18 026</b>	<b>28 319</b>	<b>42 084</b>	<b>52 538</b>	<b>38 584</b>	<b>57 037</b>	<b>92 144</b>
Deferred income tax liabilities	394	507	425	359	500	587	751	537
<b>Total long term liabilities</b>	<b>394</b>	<b>507</b>	<b>425</b>	<b>359</b>	<b>500</b>	<b>587</b>	<b>751</b>	<b>537</b>
Trade payables	1 506	2 701	4 713	2 736	9 949	7 196	8 570	4 633
<b>Total short term liabilities</b>	<b>9 290</b>	<b>6 780</b>	<b>10 032</b>	<b>12 024</b>	<b>21 093</b>	<b>13 122</b>	<b>18 409</b>	<b>13 363</b>
<b>Total liabilities</b>	<b>9 684</b>	<b>7 287</b>	<b>10 457</b>	<b>12 383</b>	<b>21 594</b>	<b>13 710</b>	<b>19 160</b>	<b>13 900</b>
<b>Total equity and liabilities</b>	<b>20 123</b>	<b>25 313</b>	<b>38 776</b>	<b>54 468</b>	<b>74 132</b>	<b>52 293</b>	<b>76 197</b>	<b>106 045</b>

# Results summary – cash flows

Selected positions in k PLN	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19
<b>OPERATING ACTIVITIES</b>								
Profit before tax	6 229	9 302	12 633	16 685	12 674	15 944	22 316	33 691
Total adjustments	-1 505	-743	-642	1 100	-299	-1 589	-7 197	671
Amortisation	179	114	208	196	186	270	320	374
Cash from operations	4 724	8 560	11 992	17 785	12 375	14 356	15 119	34 362
Income tax paid	-1 225	-209	-198	-189	-370	-8 124	-541	-738
Net cash flows from operating activities	3 500	8 351	11 794	17 596	12 005	6 232	14 579	33 623
<b>INVESTMENT ACTIVITIES</b>								
Inflows	0	0	0	0	0	0	0	0
Outflows	-353	-498	-420	-495	-1 002	-890	-1 097	-554
Net cash flows from investing activities	-353	-498	-420	-495	-1 002	-890	-1 097	-554
<b>FINANCIAL ACTIVITIES</b>								
Inflows	0	0	0	0	0	0	2	0
Outflows	0	-5 110	-1 199	0	0	-27 311	0	0
Dividends	0	-5 110	-1 199	0	0	-27 311	0	0
Net cash flows from financing activities	0	-5 110	-1 199	0	0	-27 311	2	0
Net cash flows total	3 146	2 743	10 175	17 101	11 003	-21 968	13 483	33 069

# Geographic breakdown of revenues

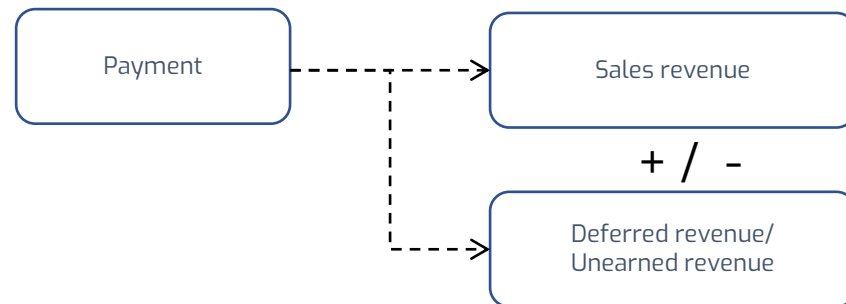
In k PLN	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	q/q	y/y
North America	4 822	10 938	15 732	16 254	18 841	21 646	28 718	31 965	+11%	+97%
Europe	6 404	8 818	14 597	19 344	19 059	19 790	26 551	31 026	+17%	+60%
Poland	1 556	1 762	2 534	3 598	3 367	3 170	3 918	4 807	+23%	+34%
Others	4 848	7 056	12 063	15 746	15 691	16 620	22 634	26 219	+16%	+67%
Asia	2 195	2 635	3 191	4 670	5 191	6 134	9 690	11 930	+23%	+155%
South America	422	615	786	1 055	922	975	1 420	1 843	+30%	+75%
Australia and Oceania	389	579	685	762	860	957	1 115	1 149	+3%	+51%
Africa	169	286	447	686	415	423	573	723	+26%	+5%

% share of revenues	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	q/q (p.p.)	y/y (p.p.)
North America	33,5%	45,8%	44,4%	39,1%	41,6%	43,4%	42,2%	40,6%	-1,5	+2,6
Europe	44,5%	36,9%	41,2%	46,6%	42,1%	39,7%	39%	39,5%	+0,4	-5,8
Poland	10,8%	7,4%	7,2%	8,7%	7,4%	6,4%	5,8%	6,1%	+0,4	-2,3
Others	33,7%	29,6%	34,0%	37,9%	34,6%	33,3%	33,2%	33,3%	+0,1	-3,5
Asia	15,2%	11,0%	9,0%	11,2%	11,5%	12,3%	14,2%	15,2%	+0,9	+4,3
South America	2,9%	2,6%	2,2%	2,5%	2,0%	2,0%	2,1%	2,3%	+0,3	-0,1
Australia and Oceania	2,7%	2,4%	1,9%	1,8%	1,9%	1,9%	1,6%	1,5%	-0,2	-0,3
Africa	1,2%	1,2%	1,3%	1,7%	0,9%	0,8%	0,8%	0,9%	+0,1	-0,7

# Accounting principles for revenues

## 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

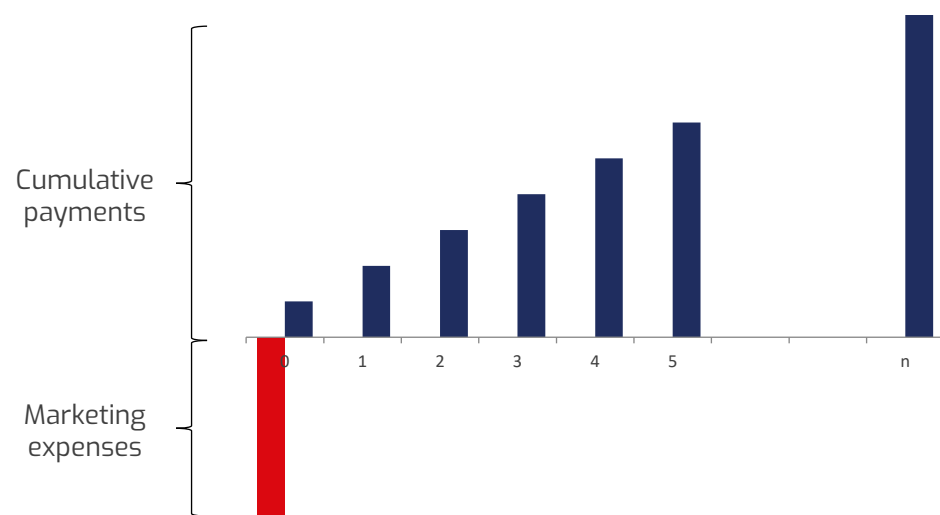


# Marketing expenses policy

## 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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