



# ten square\_games

Q3 2019 results

November 2019

# Highlights



**200 people**

STRONGER TEAM



**F2P Games**

8 BIG PROJECTS



**> 90%**

SALES OUTSIDE POLAND



**PLN 68 M**

Record sales in Q3 2019



**HUNTING CLASH**

New hobby game



**GAMES FOR LADIES**

Two new titles in soft launch

## Q3 2019 results

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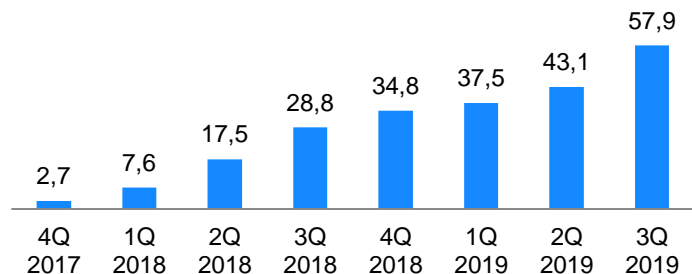
## Q3 2019 – executive summary



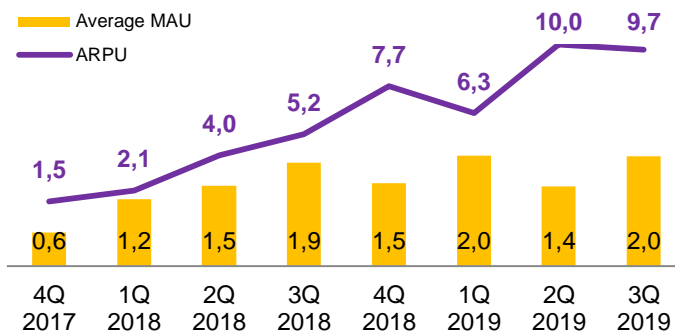
- Record results in Q3 2019
  - Another quarter in a row of record Fishing Clash revenues
  - **PLN 67,6 M** total revenues in Q3 2019 – increase by **91%** y/y and **35%** q/q
  - **PLN 18 M** net profit in Q3 – increase by **77%** y/y and **39%** q/q
- Strengthened team - already 200 specialists on board
- 8 projects live, including 4 new
- Soft launch of two new games for Ladies (Q3) and one hobby game (early Q4)

# Fishing Clash – constant improvement of results

## Payments (M PLN)



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

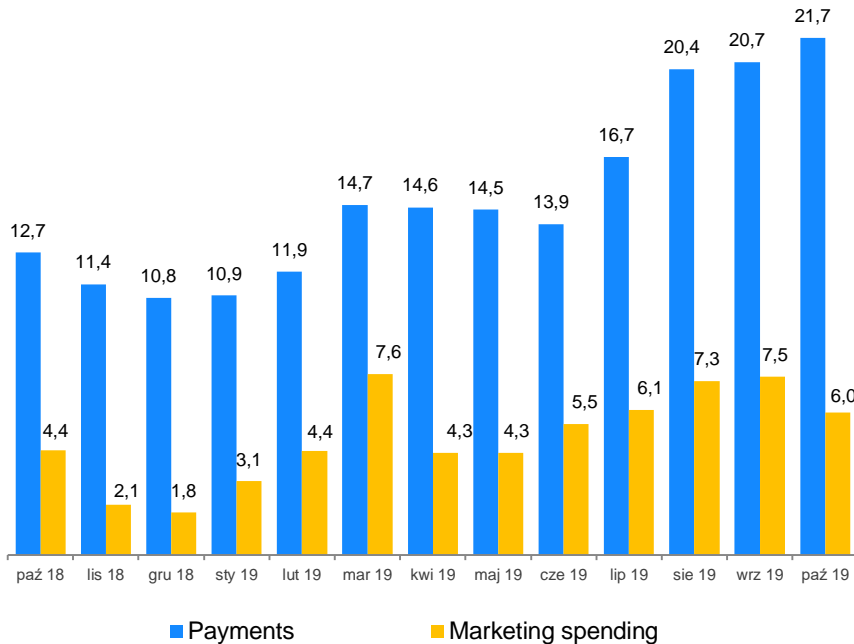


- **34%** increase of payments q/q in Q3 2019
- Successful Closed Beta tests on Chinese market, awaiting full license
- Constant live-ops
- Constant development of the game by adding new fish, fisheries and functionalities



# Fishing Clash – effective marketing policy

## Payments and marketing expenditures (M PLN)



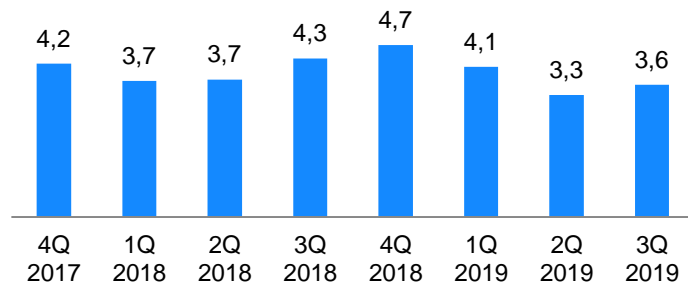
- Record setting months resulting from effective marketing policy
- In Q3 2019 almost PLN 21 M spent on Fishing Clash promotion
- Marketing expenditures scaled based on statistical models (high ROI); planned decrease of spending in the last months of the year
- Work on expanding the portfolio of marketing channels
- Continuous work on improving game parameters and effectiveness of marketing techniques



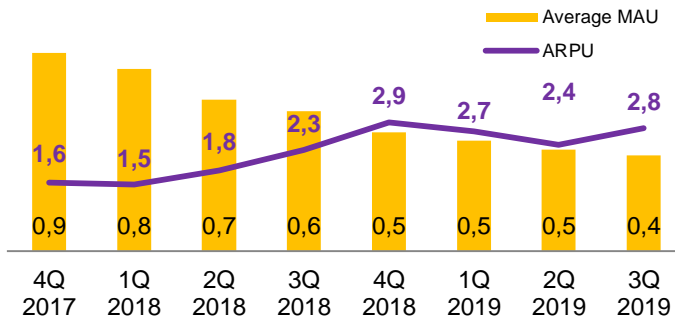


# Let's Fish – return to growth path

## Payments (M PLN)



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

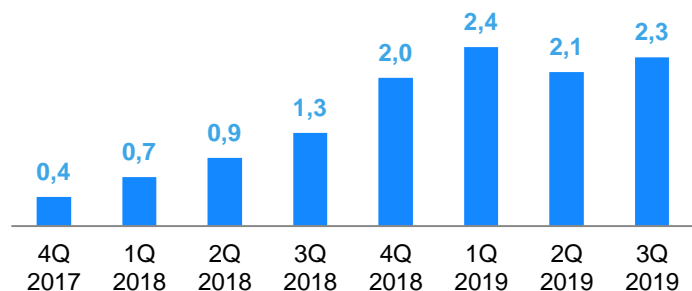


- **PLN 3,6 M** revenues in Q3 2019 compared to **PLN 4,3 M** in 3Q 2018 – decrease by **16%** y/y, increase by **9%** q/q
- Challenging technology shift in Q2 2019 – transfer from Flash to Html5
- Stable MAU and ARPU in Q3 2019, despite the technology shift

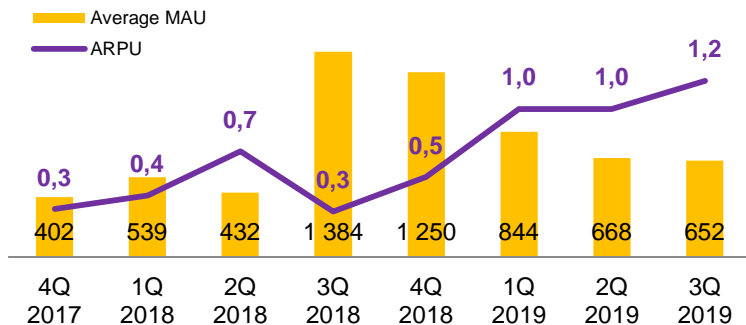


# Wild Hunt – ongoing good monetisation

Payments (M PLN)



Average MAU (th.) and monthly ARPU (PLN)



- **77 %** revenue increase in Q3 2019 y/y
- **PLN 2,3 M** revenue in Q3 2019, compared to **PLN 1,3 M** in Q3 2018
- Less than PLN 0,2M spent on promotion in 3Q 2019
- Stable development of the game based on good cooperation with distribution platforms (Apple, Google)

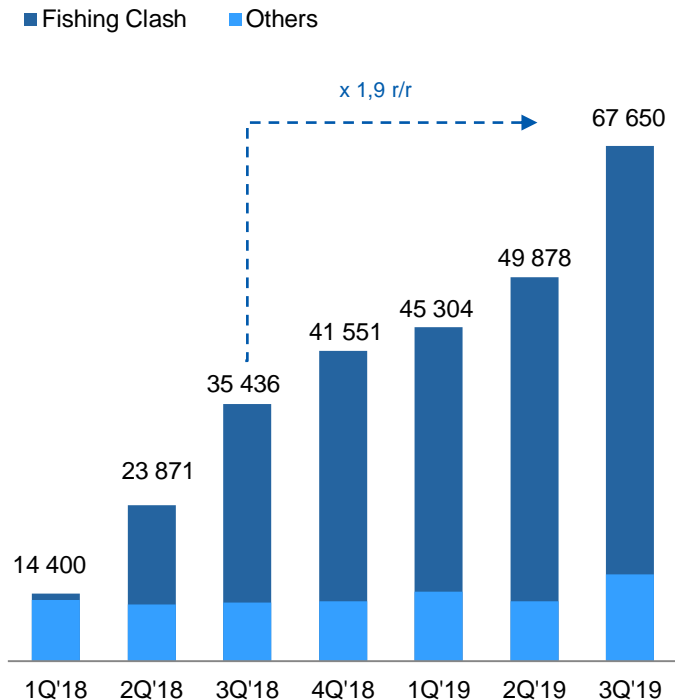




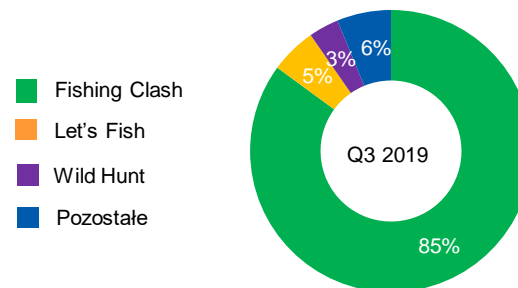
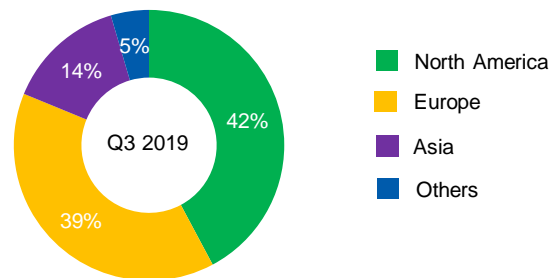
# Dynamic growth of sales revenues

Szybki wzrost przychodów dzięki dobrej monetyzacji gier mobilnych, głównie Fishing Clash

## Sales revenues (k PLN)

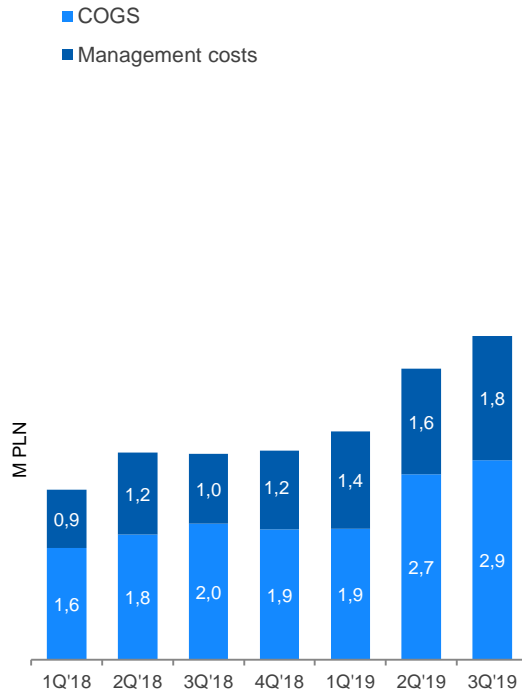


## Geographic and product sales breakdown

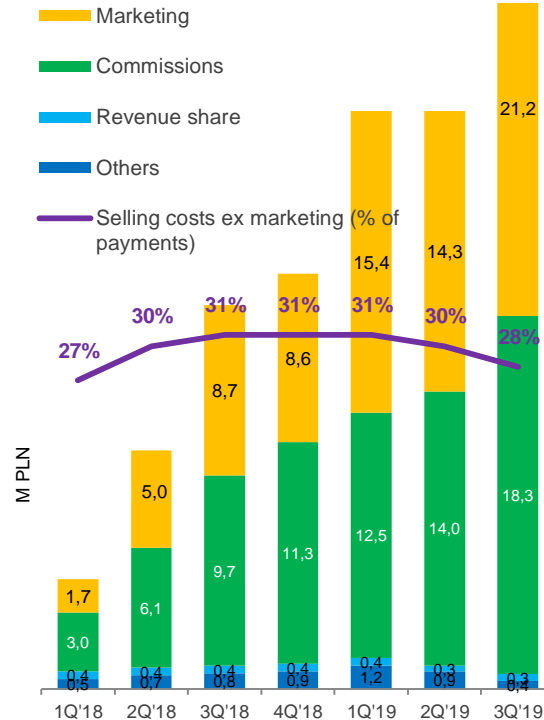


# Operations costs under control

## Operations costs excluding selling costs



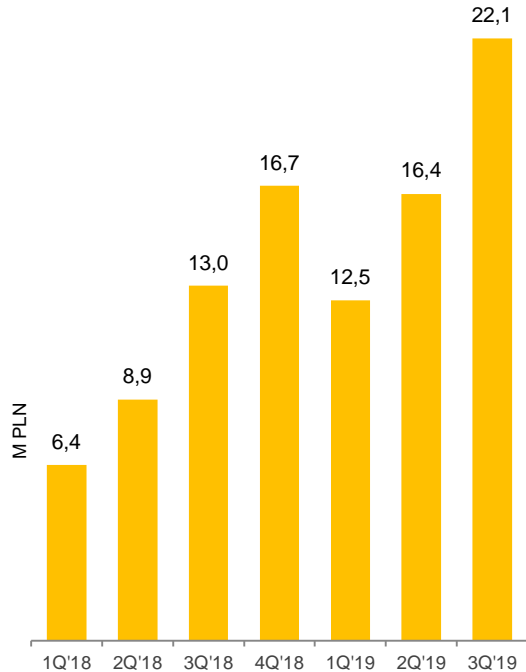
## Selling costs



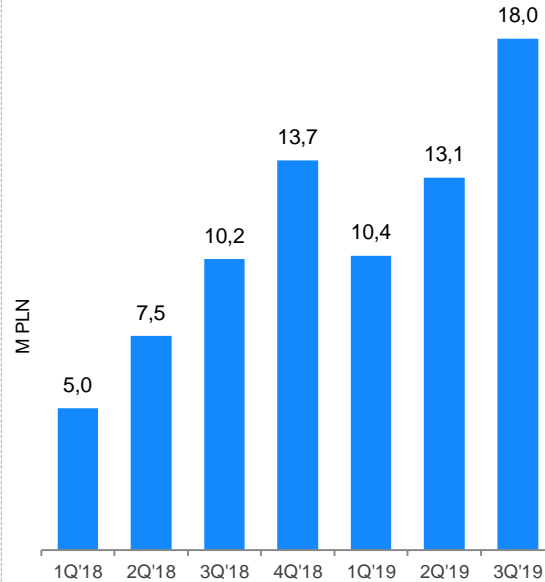
- Operations costs increasing due to gradual growth of team size (project teams, general departments)
- Commission costs directly proportional to growing revenues
- Increased marketing budgets adjusted to growth dynamic of games
- Selling costs ex marketing to revenue ratio lower in Q3 due to increased share of games excluded from commission system

# Financial results

## EBITDA



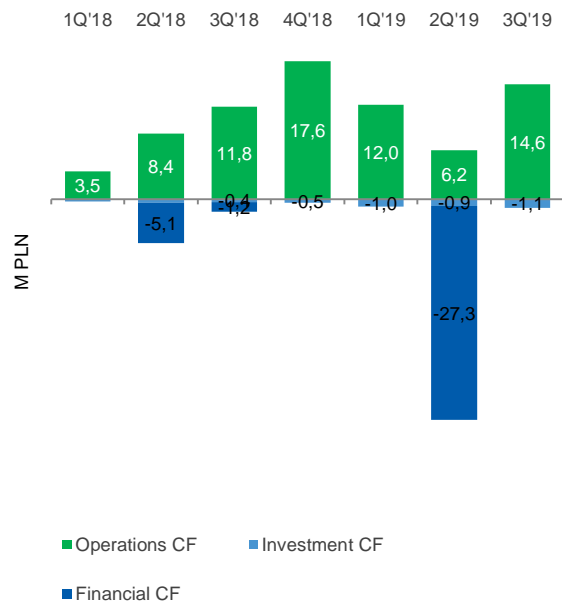
## Net profit



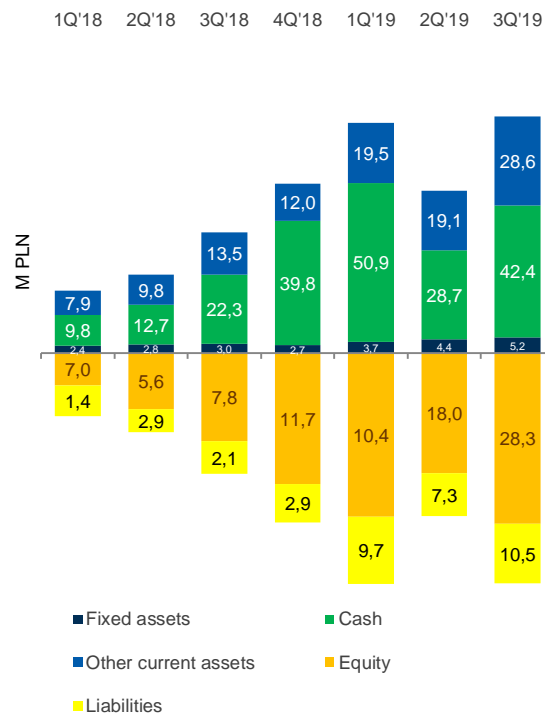
- Best quarterly results in Company history
- EBITDA increased by 70% y/y
- Net profit increased by 77% y/y
- IPBOX – tax interpretation obtained

# Good cash flow translates to balance sheet improvement

## Cash flow



## Balance sheet structure



- Operations cash flow resulting from great financial results – quick rebuilding of cash level after dividend payment in Q2
- Very sturdy balance sheet – cash as over 55% of total assets
- Lower operations cash flow in Q2 2019 resulted from payment of CIT tax for 2018 in the amount of PLN 7,7 M

# Development teams ahead of schedule



Live



## New titles in soft launch



## Investors' calendar – upcoming events

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- **Wood's Winter Wonderland** – Prague, 03-04.12.2019
- **Q4 2019 Sales Report** – early January 2020
- **IPOPEMA Games Day** – Warsaw, 13.01.2020.
- **2019 Yearly Report** – March 2020 (exact date to be announced in early January 2020)





**THANK YOU!**

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## Results summary – P&L

Selected items of P&L in k PLN	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	q/q	r/r
<b>Revenues from sales</b>	<b>10 012</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>+36%</b>	<b>+91%</b>
- from Fishing Clash	2 732	7 560	17 527	28 846	34 831	37 524	43 147	57 896	+34%	+101%
- from Let's Fish	4 172	3 705	3 749	4 318	4 682	4 096	3 316	3 600	+9%	-17%
- from Wild Hunt	389	668	926	1 265	2 021	2 439	2 094	2 344	+12%	+85%
- from other titles	2 718	2 467	1 668	1 008	1 238	1 228	1 368	4 227	+209%	+319%
- deferred income	0	0	0	0	-1 221	17	-48	-417	n/a	n/a
<b>COGS</b>	<b>1 653</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>+8%</b>	<b>+47%</b>
<b>Gross profit on sales</b>	<b>8 358</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>+37%</b>	<b>+94%</b>
GPS margin	83%	89%	92%	94%	95%	96%	95%	96%	+1 p.p.	+2 p.p.
Selling costs	3 250	5 644	12 086	19 599	21 306	29 689	29 479	41 041	+39%	+109%
as % of revenues	32%	39%	51%	55%	51%	66%	59%	61%	+2 p.p.	+6 p.p.
General and administrative costs	891	850	1 205	1 028	1 164	1 429	1 549	1 898	+23%	+85%
<b>EBIT</b>	<b>4 210</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>+35%</b>	<b>+70%</b>
<b>EBITDA</b>	<b>4 350</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>+35%</b>	<b>+70%</b>
EBITDA margin	43%	45%	37%	37%	40%	28%	33%	33%	bz.	-4 p.p.
<b>Net profit</b>	<b>3 235</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>+39%</b>	<b>+77%</b>
Net profit margin	32%	35%	32%	29%	33%	23%	26%	27%	+1 p.p.	-2 p.p.
Team size	104	113	124	131	139	151	168	200		

## Results summary – balance sheet

Selected positions in k PLN	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19
<b>ASSETS</b>								
<b>Fixed assets</b>	<b>2 160 581</b>	<b>2 444 499</b>	<b>2 760 754</b>	<b>2 962 791</b>	<b>2 701 316</b>	<b>3 733 356</b>	<b>4 432 741</b>	<b>5 175 668</b>
Trade receivables	4 551 180	6 684 397	8 734 138	12 228 250	10 671 417	16 249 070	15 651 927	24 011 839
Cash and cash equivalents	6 572 838	9 815 204	12 730 541	22 335 084	39 750 796	50 890 411	28 744 827	42 375 563
<b>Current assets</b>	<b>12 411 681</b>	<b>17 678 237</b>	<b>22 552 461</b>	<b>35 813 316</b>	<b>51 766 242</b>	<b>70 398 763</b>	<b>47 860 542</b>	<b>71 020 881</b>
<b>Total assets</b>	<b>14 572 262</b>	<b>20 122 736</b>	<b>25 313 215</b>	<b>38 776 107</b>	<b>54 467 558</b>	<b>74 132 119</b>	<b>52 293 283</b>	<b>76 196 549</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>11 689 465</b>	<b>10 438 891</b>	<b>18 025 998</b>	<b>28 318 798</b>	<b>42 084 424</b>	<b>52 538 414</b>	<b>38 583 664</b>	<b>57 036 837</b>
Deferred income tax liabilities	285 848	394 296	507 053	425 339	359 388	500 240	587 326	750 665
<b>Total long term liabilities</b>	<b>285 848</b>	<b>394 296</b>	<b>507 053</b>	<b>425 339</b>	<b>359 388</b>	<b>500 240</b>	<b>587 326</b>	<b>750 665</b>
Trade liabilities	963 940	1 506 459	2 701 117	4 712 533	2 735 833	9 949 446	7 195 622	8 570 320
<b>Total short term liabilities</b>	<b>2 596 949</b>	<b>9 289 549</b>	<b>6 780 164</b>	<b>10 031 970</b>	<b>12 023 746</b>	<b>21 093 465</b>	<b>13 122 293</b>	<b>18 409 047</b>
<b>Total liabilities</b>	<b>2 882 797</b>	<b>9 683 845</b>	<b>7 287 217</b>	<b>10 457 309</b>	<b>12 383 134</b>	<b>21 593 705</b>	<b>13 709 619</b>	<b>19 159 712</b>
<b>Total equity and liabilities</b>	<b>14 572 262</b>	<b>20 122 736</b>	<b>25 313 215</b>	<b>38 776 107</b>	<b>54 467 558</b>	<b>74 132 119</b>	<b>52 293 283</b>	<b>76 196 549</b>

## Results summary – cash flows

Selected positions in k PLN	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19
<b>OPERATING ACTIVITIES</b>								
Profit before tax	3 956 293	6 228 989	9 302 427	12 633 103	16 684 655	12 674 129	15 944 337	22 316 356
Total adjustments	-517 057	-1 504 724	-742 700	-641 523	1 100 238	-299 245	-1 588 666	-7 196 971
Amortisation	139 808	178 500	114 241	208 167	196 242	186 479	269 535	319 760
Cash flow from operating activities	3 439 236	4 724 265	8 559 727	11 991 580	17 784 893	12 374 884	14 355 671	15 119 385
Income tax paid	-232 047	-1 224 629	-209 224	-197 731	-188 868	-369 714	-8 124 107	-540 761
Net cash flows from operating activities	3 207 189	3 499 636	8 350 503	11 793 849	17 596 025	12 005 170	6 231 564	14 578 624
<b>INVESTING ACTIVITIES</b>								
Inflows	0	0	0	0	0	0	0	0
Outflows	-231 285	-353 168	-497 607	-420 156	-494 778	-1 001 908	-889 525	-1 097 420
Net cash flows from investing activities	-231 285	-353 168	-497 607	-420 156	-494 778	-1 001 908	-889 525	-1 097 420
<b>FINANCIAL ACTIVITIES</b>								
Inflows	150 000	0	0	0	0	0	0	1 625
Outflows	0	0	-5 110 193	-1 198 687	0	0	-27 310 500	0
Dividends	0	0	-5 110 193	-1 198 687	0	0	-27 310 500	0
Net cash flows from financial activities	150 001	0	-5 110 193	-1 198 687	0	0	-27 310 500	1 625
Total net cash flows	3 125 905	3 146 468	2 742 703	10 175 006	17 101 248	11 003 262	-21 968 461	13 482 829

## Geographic breakdown of revenues

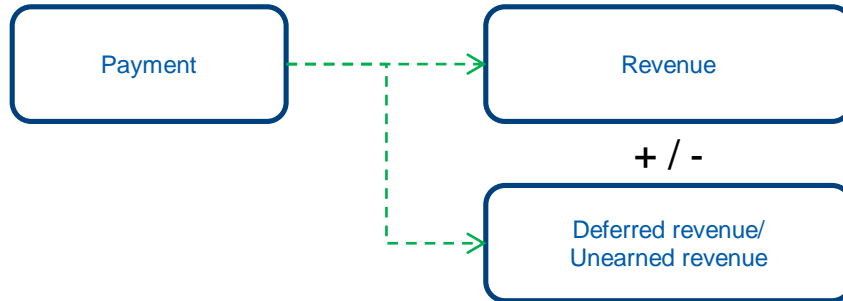
In k PLN	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	q/q	y/y
North America	2 672	4 822	10 938	15 732	16 254	18 841	21 646	28 718	+33%	+83%
Europe	5 222	6 404	8 818	14 597	19 344	19 059	19 790	26 551	+34%	+82%
Poland	1 558	1 556	1 762	2 534	3 598	3 367	3 170	3 918	+24%	+55%
Others	3 664	4 848	7 056	12 063	15 746	15 691	16 620	22 634	+36%	+88%
Asia	1 599	2 195	2 635	3 191	4 670	5 191	6 134	9 690	+58%	+204%
South America	235	422	615	786	1 055	922	975	1420	+46%	+81%
Australia and Oceania	214	389	579	685	762	860	957	1115	+17%	+63%
Africa	70	169	286	447	686	415	423	573	+35%	+28%

% share of revenues	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	q/q	y/y
North America	26,7%	33,5%	45,8%	44,4%	39,1%	41,6%	43,4%	42,2%	-1,1 p.p.	-2,2 p.p.
Europe	52,2%	44,5%	36,9%	41,2%	46,6%	42,1%	39,7%	39%	-0,7 p.p.	-2,2 p.p.
Poland	15,6%	10,8%	7,4%	7,2%	8,7%	7,4%	6,4%	5,8%	-0,6 p.p.	-1,4 p.p.
Others	36,6%	33,7%	29,6%	34,0%	37,9%	34,6%	33,3%	33,2%	-0,1 p.p.	-0,8 p.p.
Asia	16,0%	15,2%	11,0%	9,0%	11,2%	11,5%	12,3%	14,2%	+1,9 p.p.	+5,2 p.p.
South America	2,3%	2,9%	2,6%	2,2%	2,5%	2,0%	2,0%	2,1%	+0,1 p.p.	-0,1 p.p.
Australia and Oceania	2,1%	2,7%	2,4%	1,9%	1,8%	1,9%	1,9%	1,6%	-0,3 p.p.	-0,3 p.p.
Africa	0,7%	1,2%	1,2%	1,3%	1,7%	0,9%	0,8%	0,8%	bz	-0,5 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”*



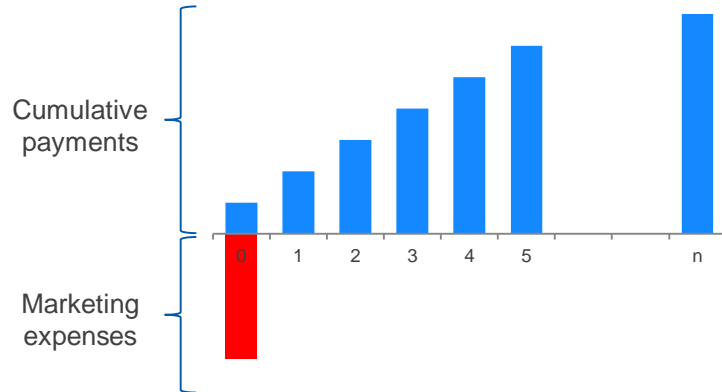
- Payment -> a player purchases virtual currency
- Revenue -> the player uses the virtual currency to purchase a virtual goods (e.g. rods, lure packs)
- Deferred revenue -> unused balance of virtual currency booked as „Unearned revenue” on the balance sheet

# 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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