



ten square_games

Company presentation

December 2019

Ten Square Games – F2P Hobby Games leader



200 people

STRONG TEAM



F2P games

8 LARGE PROJECTS



> 90%

SALES OUTSIDE POLAND



PLN 139 M

9M 2019 revenue



PLN 11 M

9M 2019 revenue











PLN 7 M

9M 2019 revenue

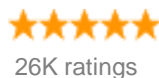
Fishing Clash – the biggest fishing game in the world

Top Grossing Games on Google Play – monthly net revenue*

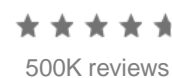
1		LINEAGE M	\$47m
10		RISE OF KINGDOMS	\$16m
			
100		MU AWAKENING	\$2,7m
105		FISHING CLASH	\$2.5m
250		IDLE MINER TYCOON	\$0,9m
400		CLAWEE	\$0.5m



8 bn FISH CAUGHT
330 m DUELS
30 m PLAYERS
300 m LURE PACKS
160 k CLANS



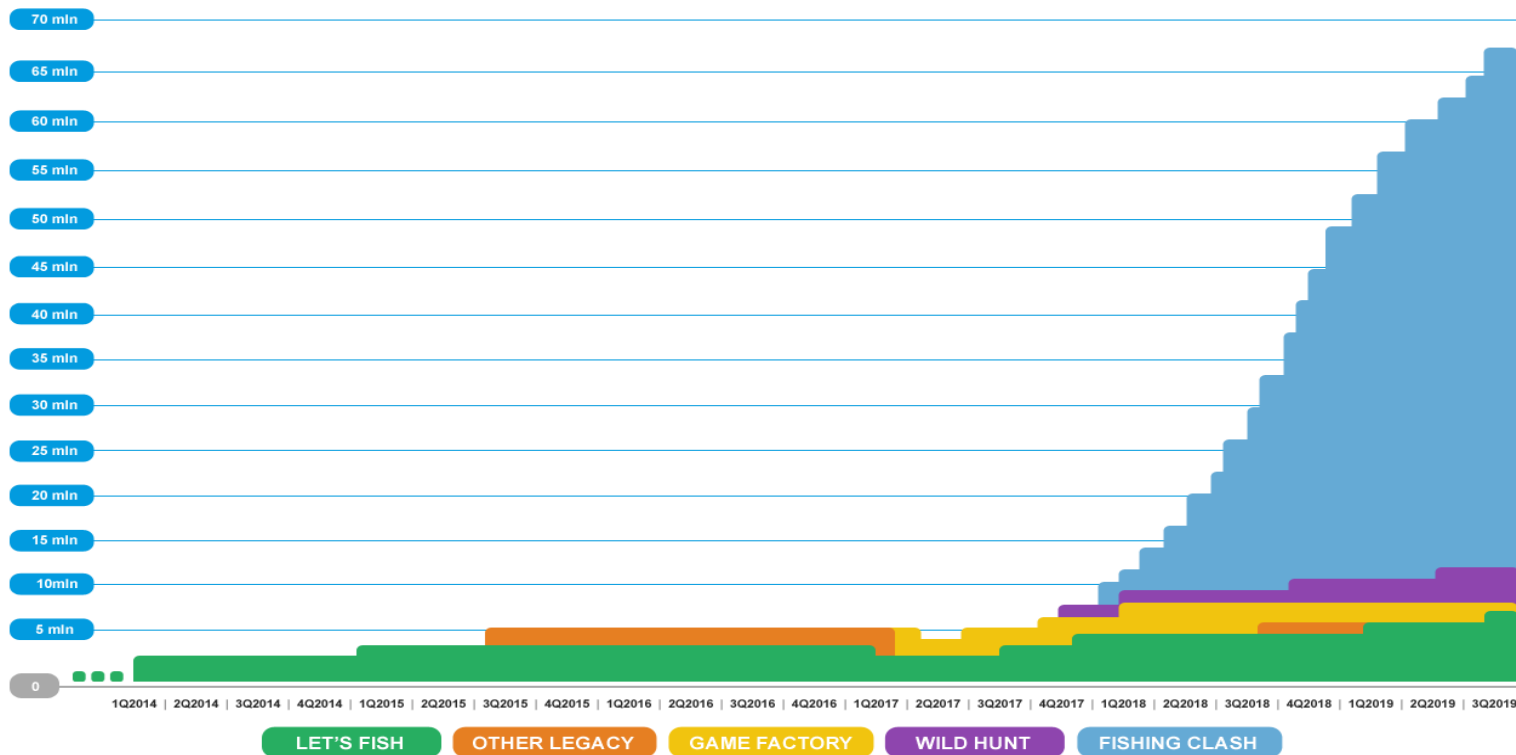
„Very interesting game and excellent graphics!! Best in class!“



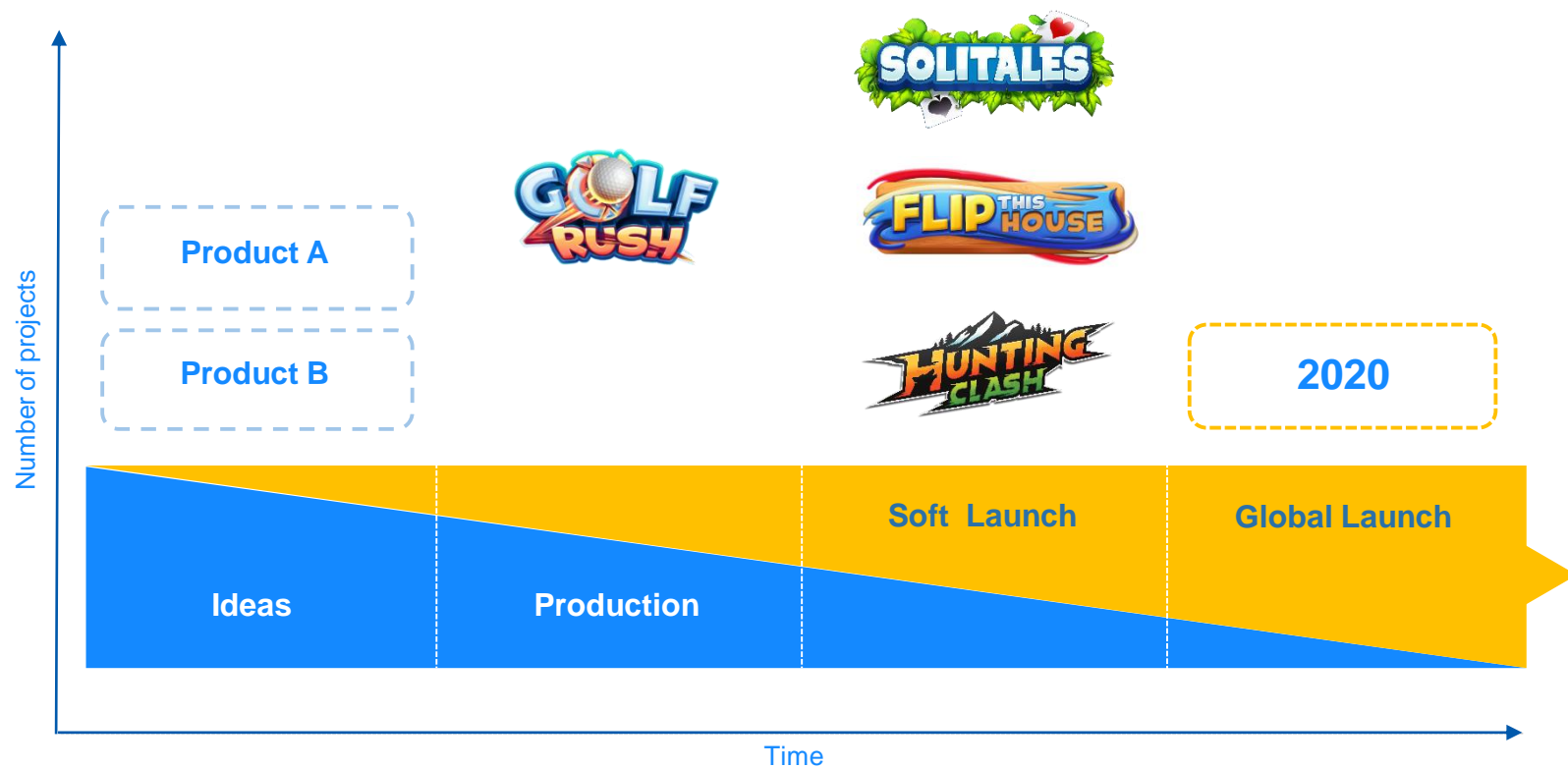
„Best fishing game ever!!“

* TOP Grossing Google Play Worldwide Sep 2019, Appannie revenue estimates

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



Wide, diversified pipeline of new projects



Live



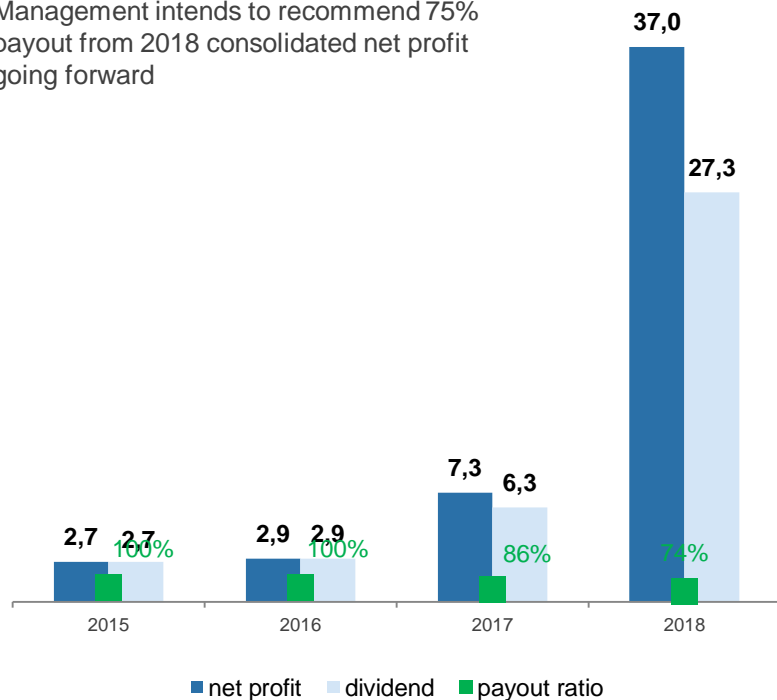
New titles in soft launch



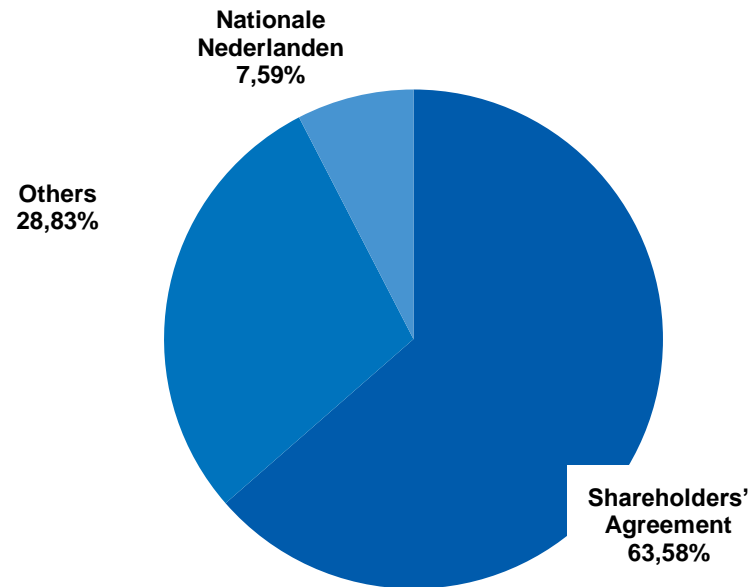
Dividend policy and shareholders

Historic dividend payments 2015-2018

Management intends to recommend 75% payout from 2018 consolidated net profit going forward



Shareholders (7,241k– total number of shares)



As of 21.10.2019, a group of shareholders consisting of founders and long time employees, including Mr Popowicz and Mr Pernal, have made public the information about signing an agreement about acting in consortia, controlling together 63,58% of shares.

9M 2019 Results

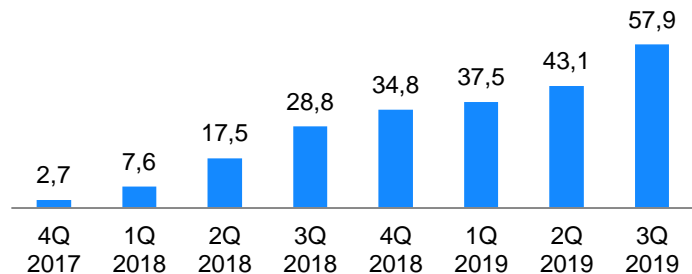
Q3 2019 – executive summary



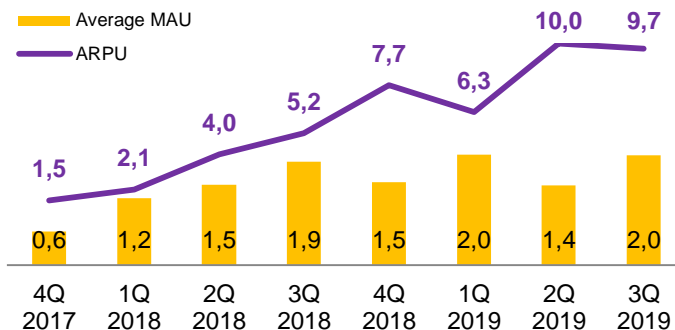
- Record results in Q3 2019
 - Another quarter in a row of record Fishing Clash revenues
 - **PLN 67,6 M** total revenues in Q3 2019 – increase by **91%** y/y and **35%** q/q
 - **PLN 18 M** net profit in Q3 – increase by **77%** y/y and **39%** q/q
- Strengthened team - already 200 specialists on board
- 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)

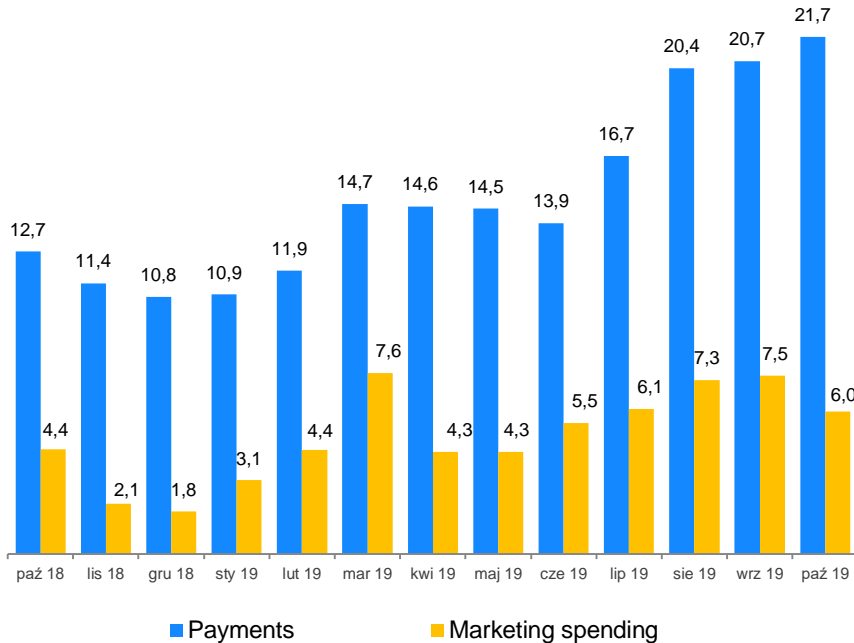


- **34%** increase of payments q/q in Q3 2019
- Successful Closed Beta tests on Chinese market, awaiting full license
- Constant live-ops
- Constant development of the game by adding new fish, fisheries and functionalities



Fishing Clash – effective marketing policy

Payments and marketing expenditures (M PLN)

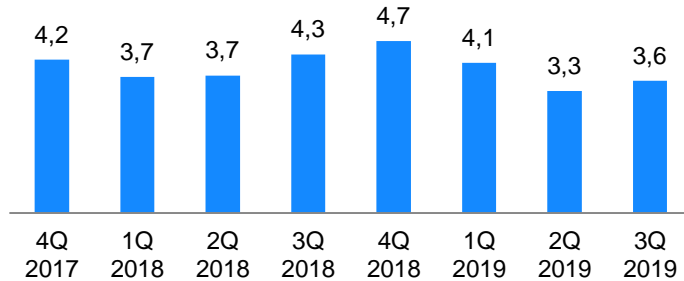


- Record setting months resulting from effective marketing policy
- In Q3 2019 almost PLN 21 M spent on Fishing Clash promotion
- Marketing expenditures scaled based on statistical models (high ROI); planned decrease of spending in the last months of the year
- Work on expanding the portfolio of marketing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

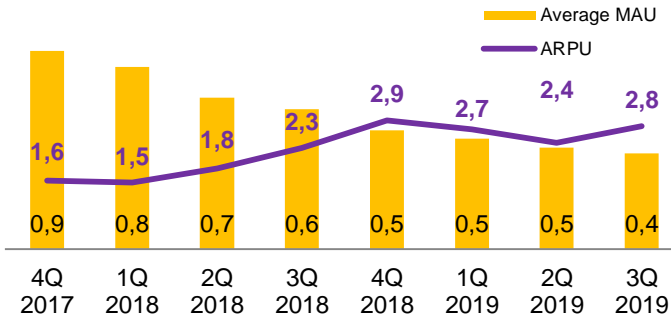


Let's Fish – return to growth path

Payments (M PLN)



Average MAU (M) and monthly ARPU (PLN)

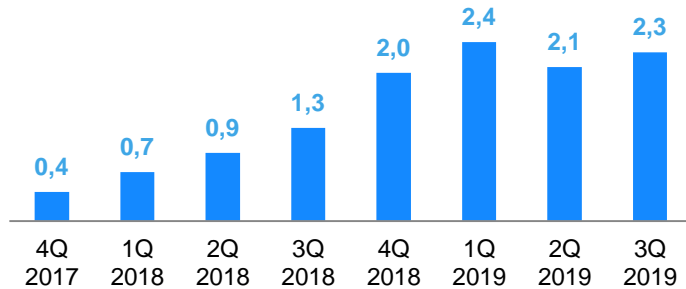


- **PLN 3,6 M** revenues in Q3 2019 compared to **PLN 4,3 M** in 3Q 2018 – decrease by **16%** y/y, increase by **9%** q/q
- Challenging technology shift in Q2 2019 – transfer from Flash to Html5
- Stable MAU and ARPU in Q3 2019, despite the technology shift

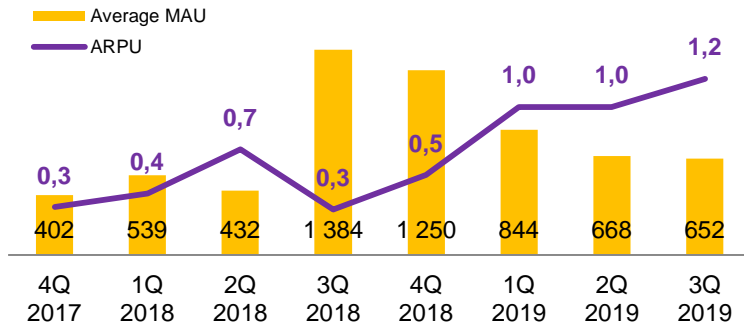


Wild Hunt – ongoing good monetisation

Payments (M PLN)



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



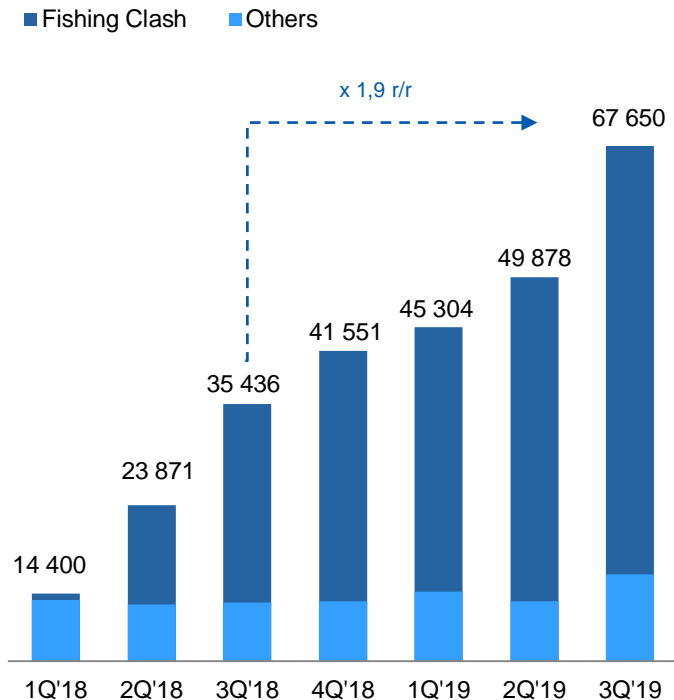
- **77 %** revenue increase in Q3 2019 y/y
- **PLN 2,3 M** revenue in Q3 2019, compared to **PLN 1,3 M** in Q3 2018
- Less than PLN 0,2M spent on promotion in 3Q 2019
- Stable development of the game based on good cooperation with distribution platforms (Apple, Google)



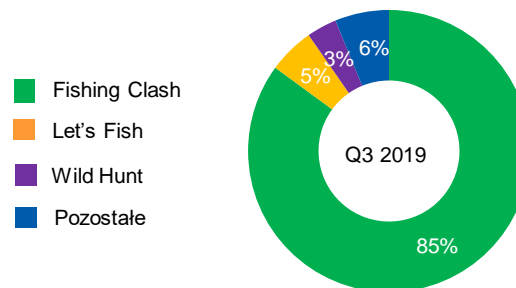
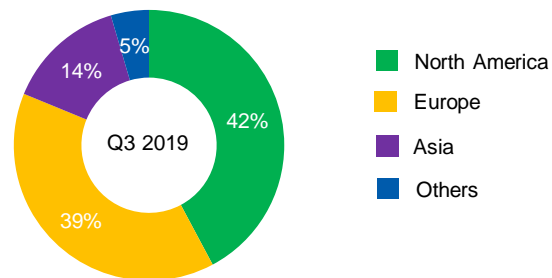
Dynamic growth of sales revenues

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

Sales revenues (k PLN)

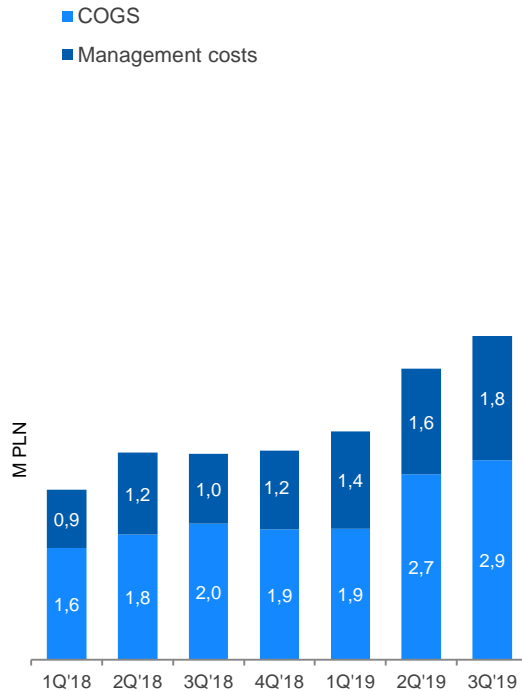


Geographic and product sales breakdown

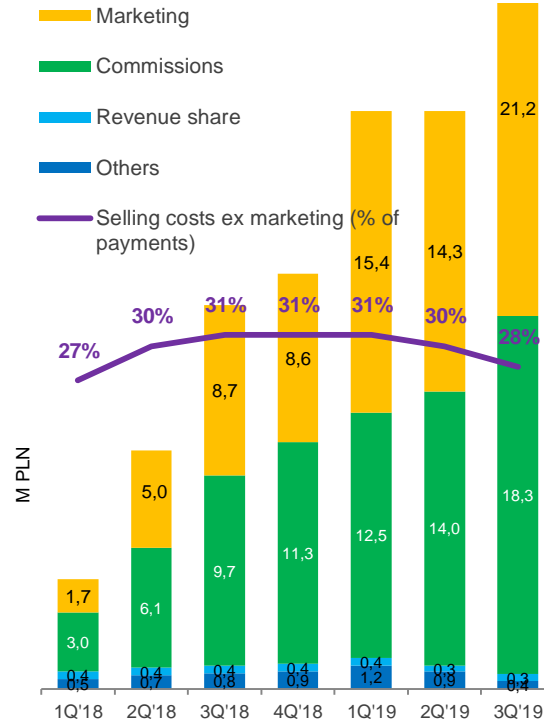


Operations costs under control

Operations costs excluding selling costs



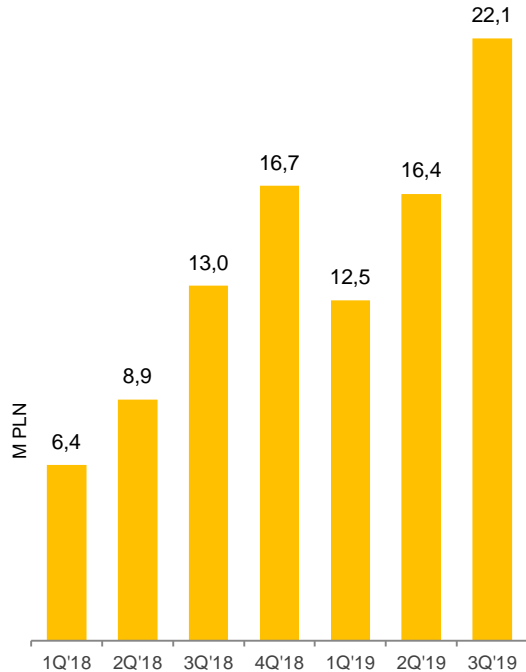
Selling costs



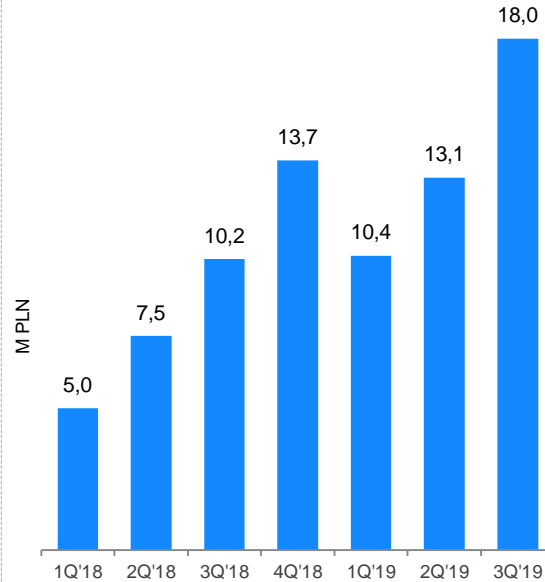
- Operations costs increasing due to gradual growth of team size (project teams, general departments)
- Commission costs directly proportional to growing revenues
- Increased marketing budgets adjusted to growth dynamic of games
- Selling costs ex marketing to revenue ratio lower in Q3 due to increased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

Financial results

EBITDA



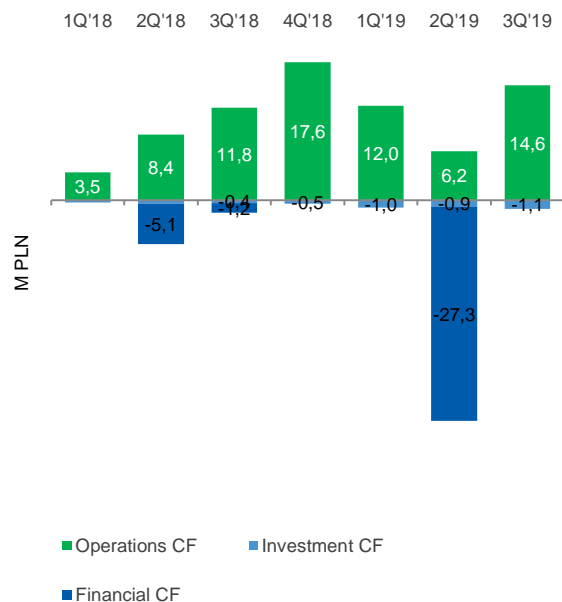
Net profit



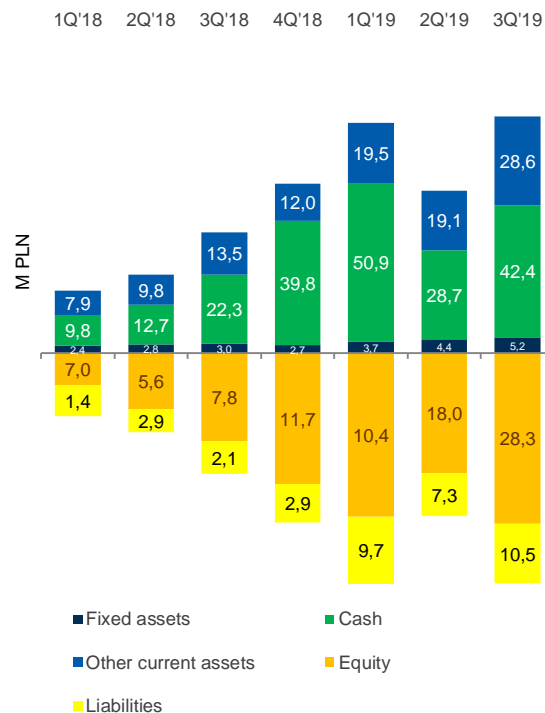
- Best quarterly results in Company history
- EBITDA increased by 70% y/y
- Net profit increased by 77% y/y
- IPBOX – tax interpretation obtained

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



IR contact

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Backup

Management team

CEO



Maciej Popowicz



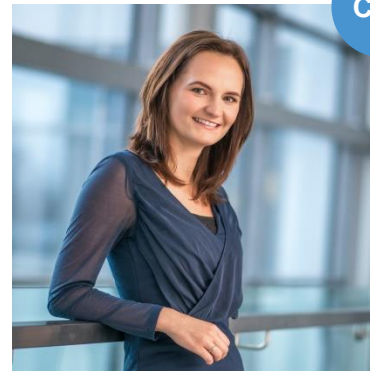
COO



Arkadiusz Pernal



CFO



Magdalena Jurewicz

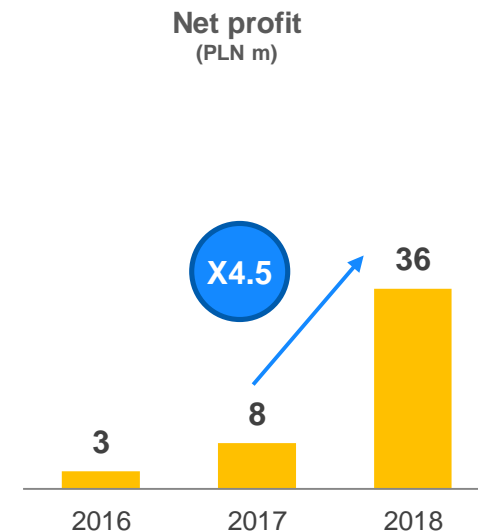
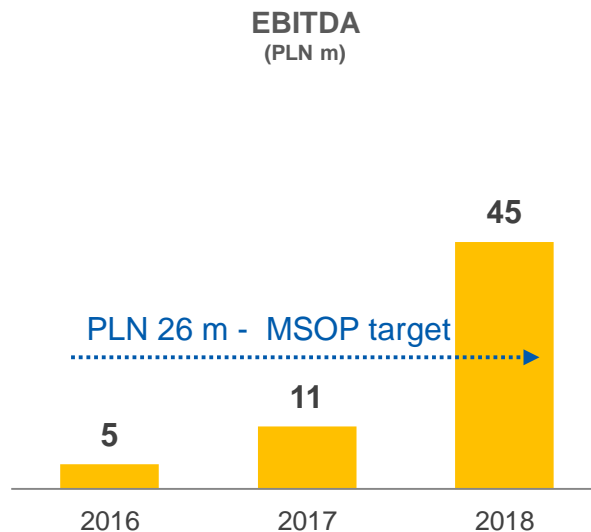
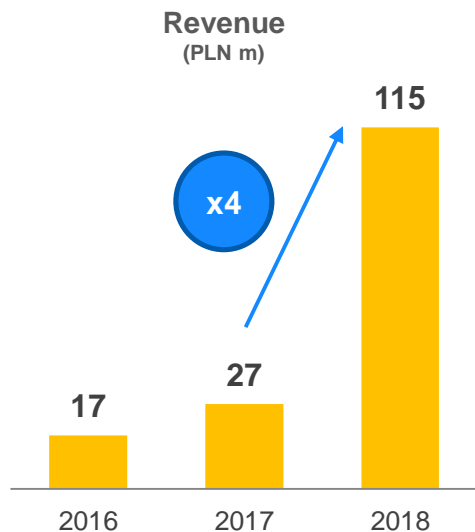


* nk.pl – first large scale modern social network in Poland

Ten Square Games foundations



2018 figures – IPO targets delivered



- Global success of Fishing Clash

- Extended development pipeline

- EBITDA target overdelivery

Market data

Share price performance since IPO (PLN)



Market data

Data as of 22.11.2019 close

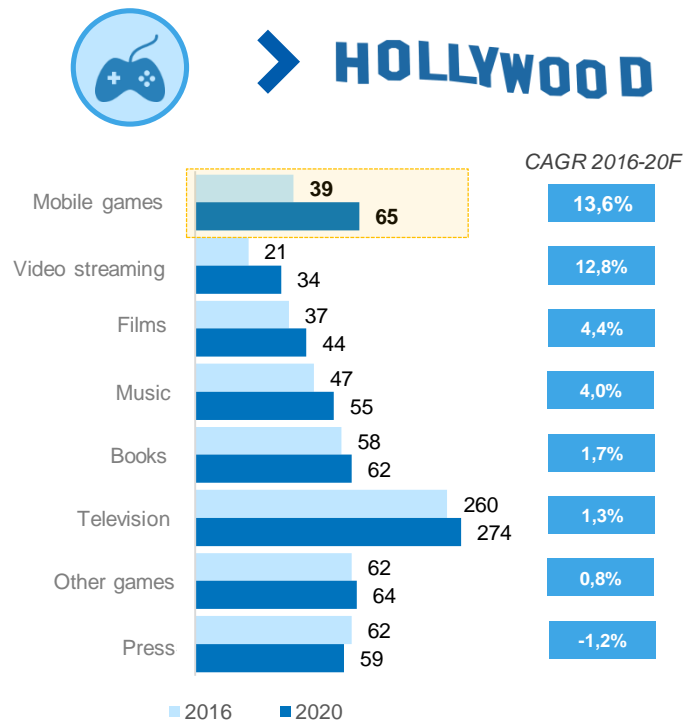
Market cap	PLN 1 279 M (USD 329 M)
Volume traded 5 days (% of capital)	53 991 shares (0,8%)
Volume traded 1 month (% of capital)	443 071 shares (6%)
Turnover 5 days	PLN 9,2 M (USD 2,4 M)
Turnover 1 month	PLN 71,3 M (USD 18,3 M)

Sell-side analysts coverage

Broker	Analyst	E-mail
DM BOS	Tomasz Rodak	t.rodak@bossa.pl
DM PKO BP	Piotr Łopaciuk	piotr.lopaciuk@pkobp.pl
DM Trigon	Kacper Kopron	kacper.kopron@trigon.pl
DM Vestor	Maciej Hebda	maciej.hebda@vestor.pl
Erste Securities	Emil Poplawski	emil.poplawski@erstegroup.com
Pekao IB	Łukasz Kosiarski	lukasz.kosiarski@pekaoib.pl
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Santander	Grzegorz Balcerski	grzegorz.balcerski@santander.pl

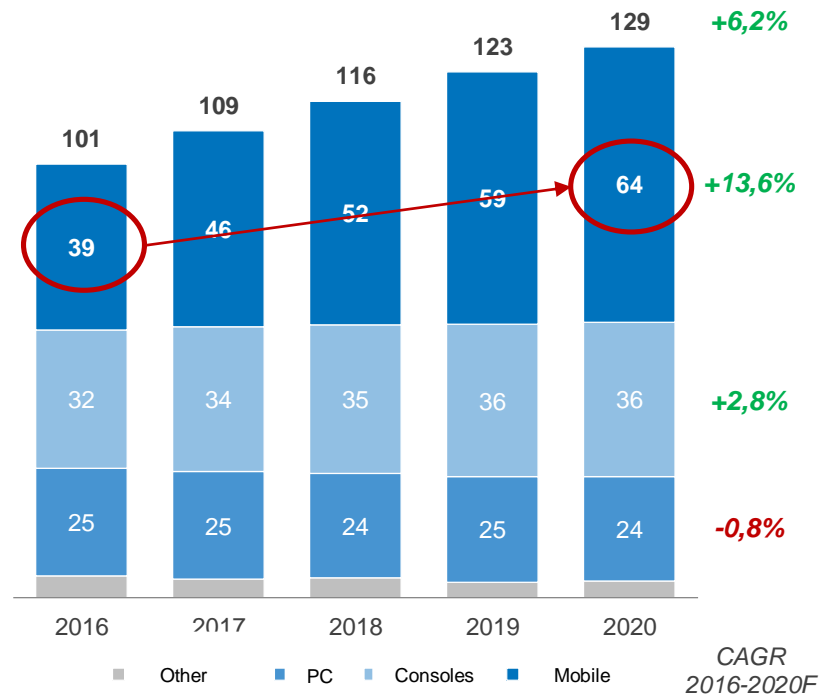
Mobile games - the fastest-growing segment of entertainment market

Mobile games in the entertainment market (USD bn)



Source: Rovio based on PwC, Global entertainment and media outlook 2017-2021;
Newzoo, Global Games Market Report 2017

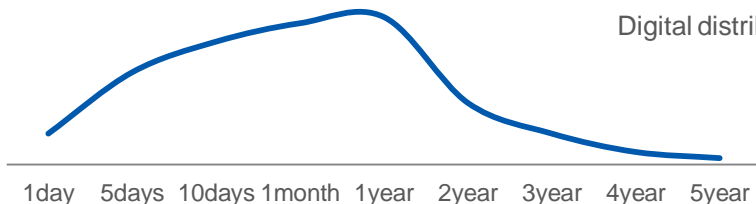
Mobile games in the video games market (USD b)



Newzoo, Global Games Market Report 2017

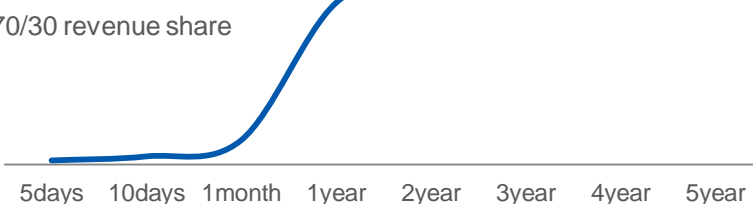
Premium (AAA) vs Free 2 Play (F2P)

Successful AAA lifecycle*



Key KPI: number of copies sold, price per copy
Physical disc or downloadable content

Successful F2P lifecycle*



Key KPI: Daily average users, Monthly average users, ARPU
Microtransactions (in-app purchases) or advertising

TOP GROSSING GAMES 2018**

Premium

		\$1.0B
		\$0.8B
		\$0.6B
		\$0.5B
		\$0.5B

Free 2 Play

		\$2.4B
		\$1.5B
		\$1.4B
		\$1.3B
		\$1.3B

* model sales curve

** www.gamesindustry.biz, 2019

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
Revenues from sales	10 012	14 400	23 871	35 436	41 551	45 304	49 878	67 650	+36%	+91%
- 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
COGS	1 653	1 641	1 836	1 994	1 910	1 919	2 722	2 931	+8%	+47%
Gross profit on sales	8 358	12 758	22 034	33 443	39 641	43 384	47 155	64 719	+37%	+94%
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%
EBIT	4 210	6 265	8 743	12 815	16 492	12 296	16 130	21 776	+35%	+70%
EBITDA	4 350	6 444	8 857	13 023	16 688	12 482	16 400	22 095	+35%	+70%
EBITDA margin	43%	45%	37%	37%	40%	28%	33%	33%	bz.	-4 p.p.
Net profit	3 235	4 999	7 528	10 234	13 709	10 356	13 054	18 149	+39%	+77%
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
ASSETS								
Fixed assets	2 160 581	2 444 499	2 760 754	2 962 791	2 701 316	3 733 356	4 432 741	5 175 668
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
Current assets	12 411 681	17 678 237	22 552 461	35 813 316	51 766 242	70 398 763	47 860 542	71 020 881
Total assets	14 572 262	20 122 736	25 313 215	38 776 107	54 467 558	74 132 119	52 293 283	76 196 549
EQUITY AND LIABILITIES								
Equity	11 689 465	10 438 891	18 025 998	28 318 798	42 084 424	52 538 414	38 583 664	57 036 837
Deferred income tax liabilities	285 848	394 296	507 053	425 339	359 388	500 240	587 326	750 665
Total long term liabilities	285 848	394 296	507 053	425 339	359 388	500 240	587 326	750 665
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
Total short term liabilities	2 596 949	9 289 549	6 780 164	10 031 970	12 023 746	21 093 465	13 122 293	18 409 047
Total liabilities	2 882 797	9 683 845	7 287 217	10 457 309	12 383 134	21 593 705	13 709 619	19 159 712
Total equity and liabilities	14 572 262	20 122 736	25 313 215	38 776 107	54 467 558	74 132 119	52 293 283	76 196 549

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
OPERATING ACTIVITIES								
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
INVESTING ACTIVITIES								
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
FINANCIAL ACTIVITIES								
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

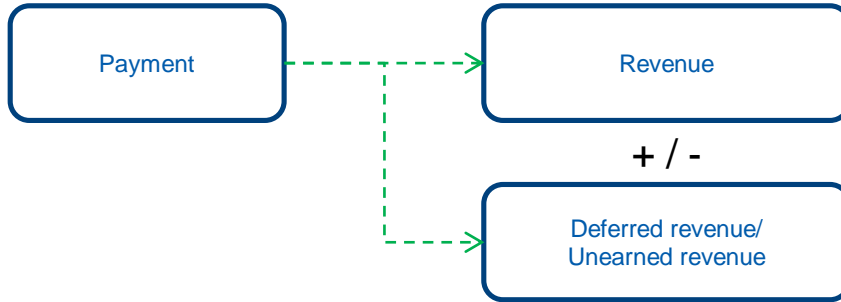
In k PLN	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	q/q	y/y
North America	2 672	4 822	10 938	15 732	16 254	18 841	21 646	28 718	+33%	+83%
Europe	5 222	6 404	8 818	14 597	19 344	19 059	19 790	26 551	+34%	+82%
Poland	1 558	1 556	1 762	2 534	3 598	3 367	3 170	3 918	+24%	+55%
Others	3 664	4 848	7 056	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”



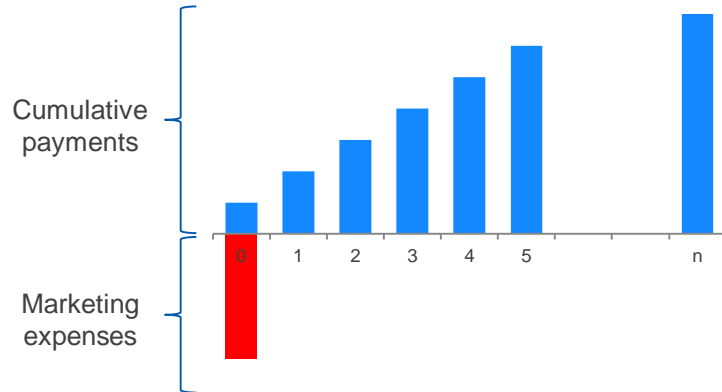
- Payment -> a player purchases virtual currency
- Revenue -> the player uses the virtual currency to purchase a virtual goods (e.g. rods, lure packs)
- Deferred revenue -> unused balance of virtual currency booked as „Unearned revenue” on the balance sheet

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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