

Q1 2020 Results

May 2020



Highlights



Revenue 45→95M PLN
+109% yoy

Net profit 10→35M PLN
+241% yoy



Covid-19

100% remote work

New market
conditions



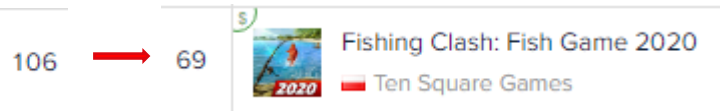
Stronger management team

New CEO
Improved management
structure

COVID-19

100% operations done remotely – the whole team on home office since 12.03.2020

Google Play Top Apps



Huge market conditions change – benefitting Fishing Clash*

* Android game rankings by revenue, comparison of January 2020 to April 2020, data by App Annie

Stronger management team

VP-BOARD

PROD. OPS	B. I.	GROWTH	PRODUCT (MACIEJ POPOWICZ)
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BOARD

CEO (MACIEJ ZUŻALEK)	COO (ARKADIUSZ PERNAL)	CFO (MAGDALENA JUREWICZ)
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VP-BOARD

IT	ECONOMY	PM	HR
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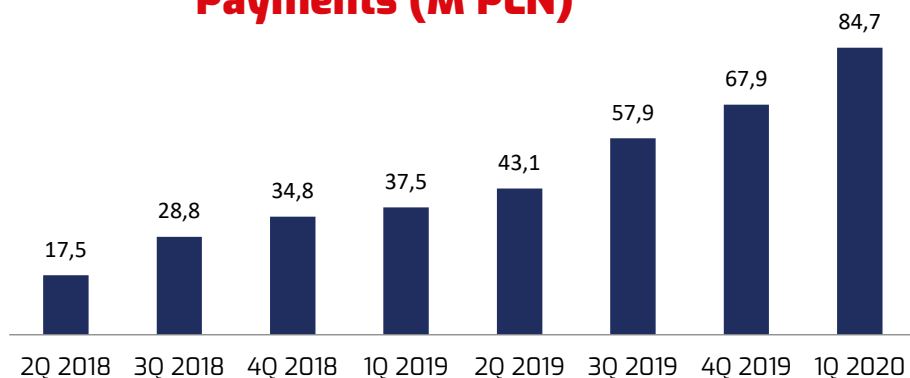
LEADERS

T E A M S

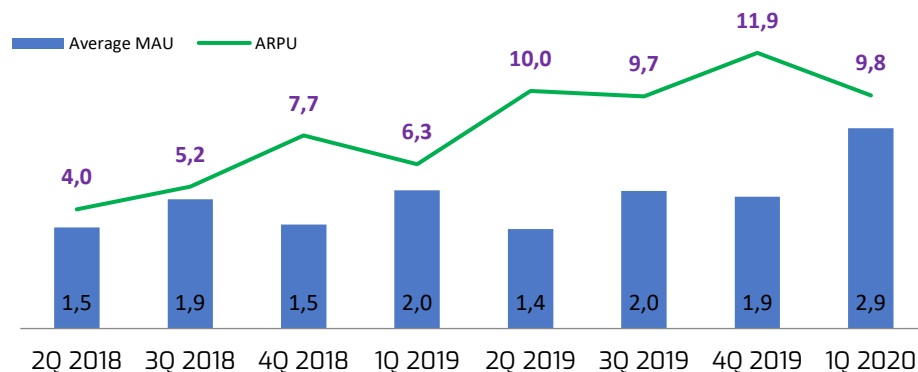
Q1 2020 results

Fishing Clash – constant results improvement

Payments (M PLN)



Average MAU (M) and monthly ARPU (PLN)

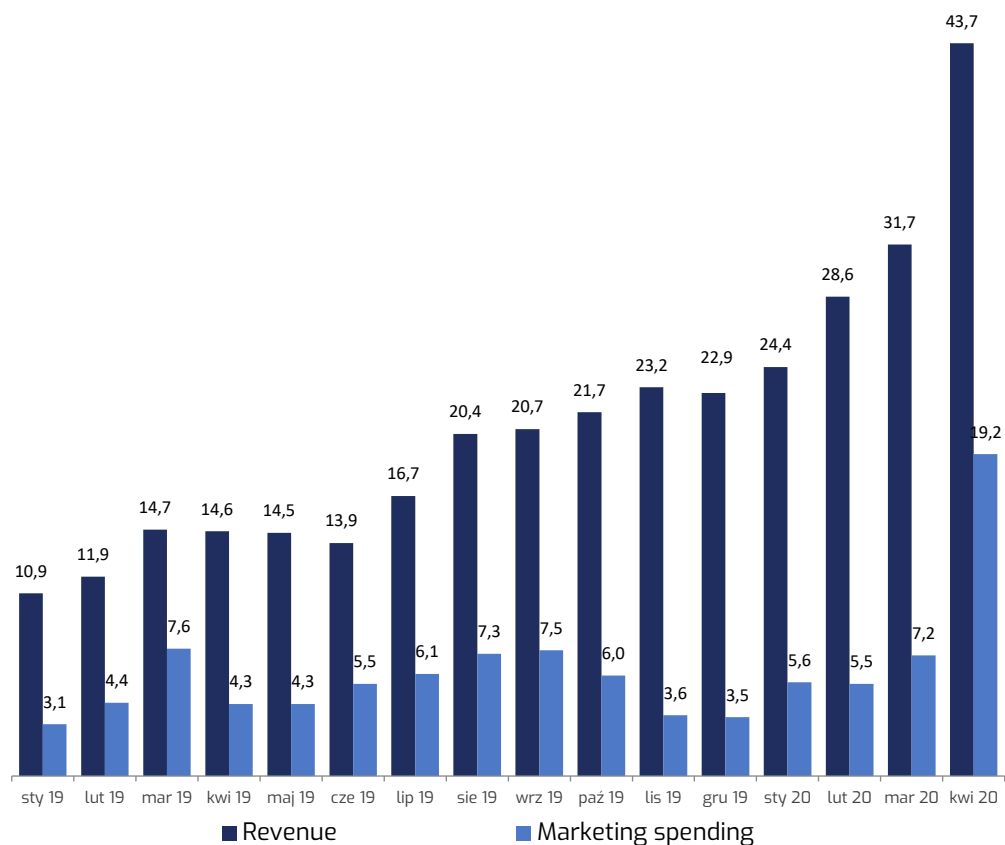


- **25%** growth of payments qoq in Q1 2020
- Ongoing live-ops and mechanics improvements, waiting for a license on the Chinese market
- Continuous development of the game - new fisheries, dozens of new fish, completely new game modes (Battle Royale) and improving monetization (VIP Status Tiers)
- Drop in ARPU naturally correlated with MAU growth



Fishing Clash – intensive marketing scaling

Payments and marketing expenditures (M PLN)

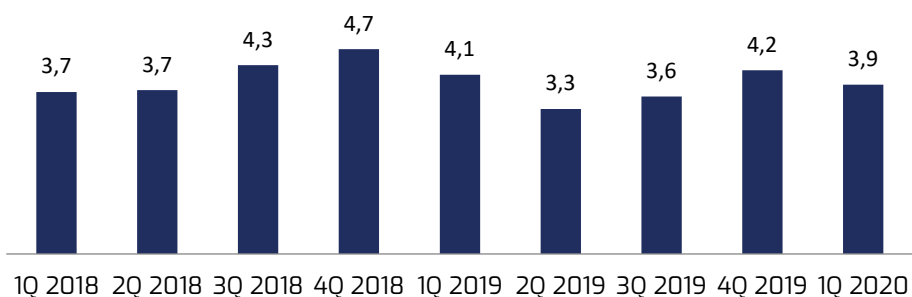


- Huge revenue growth in April - due to improved game parameters and large influx of new users
- The level of marketing expenditure increased sharply in April based on statistical models (high ROI expected); tests carried out in March, at the beginning of the pandemic, indicated very favourable market conditions
- In the whole Q1 2020, over 18 M PLN was spent on the promotion of Fishing Clash, in April 2020 alone - over 19 M PLN, and in the first half of May 4.8 M USD.



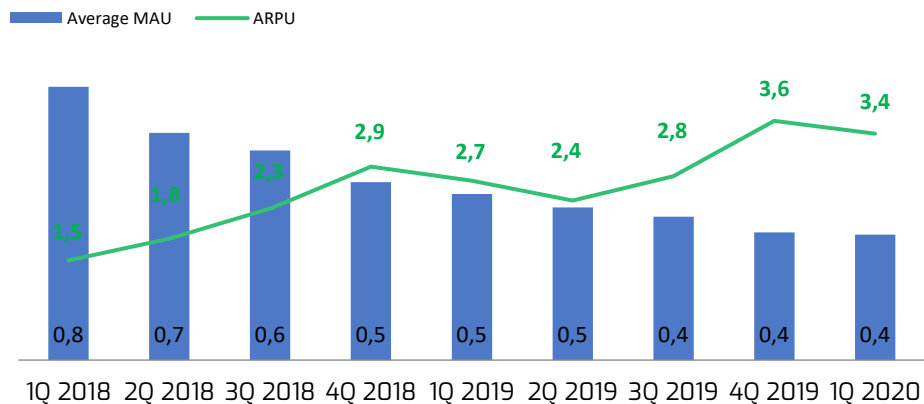
Let's Fish – stable level of revenues

Payments (M PLN)



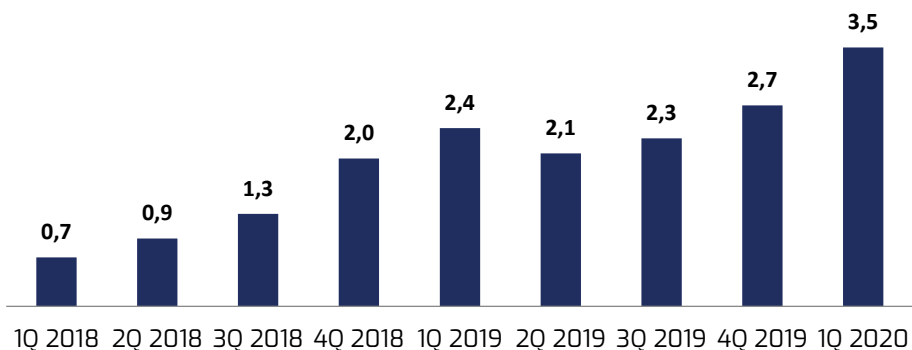
- **3,9M PLN** revenue in Q1 2020 compared to **4,1M PLN** in Q1 2019 – decrease of **5%** yoy
- Further development of the product - new fisheries, dozens of new fish, continuous development of Live Ops activities (including the first ever global tournament, connecting players from all servers)

Average MAU (M) and monthly ARPU (PLN)

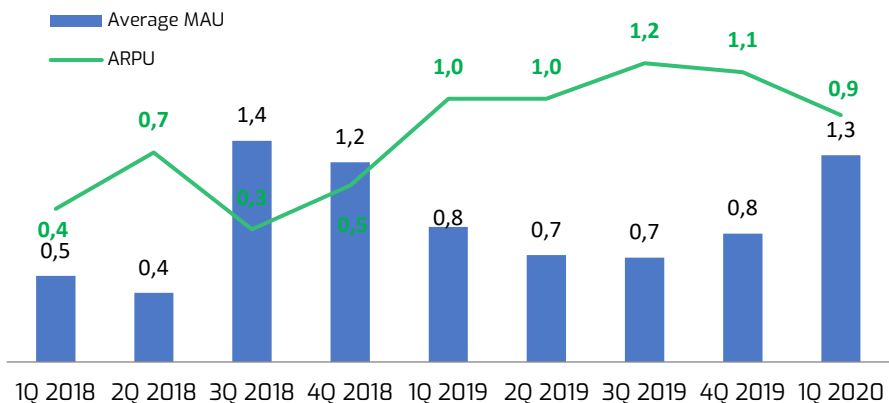


Wild Hunt – record high quarterly revenues

Payments (M PLN)



Average MAU (M) and monthly ARPU (PLN)

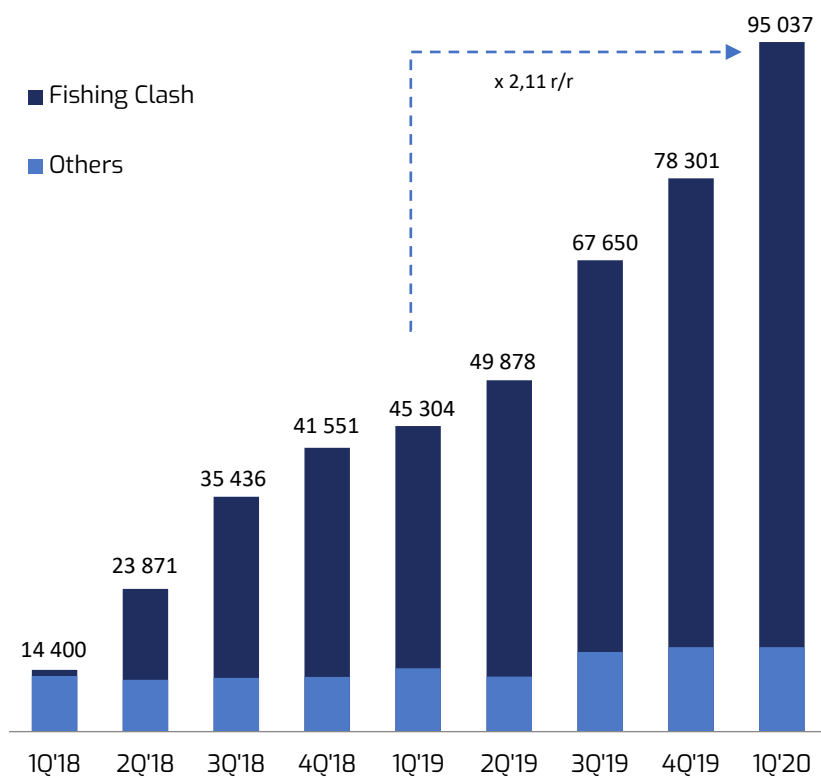


- **63 %** yoy revenue growth in Q1 2020
- The team, after introducing improvements to key mechanisms in the game, focused on delivering new content - locations, animals, weapons - and live ops activities
- ARPU drop naturally correlated with sharp growth of MAU

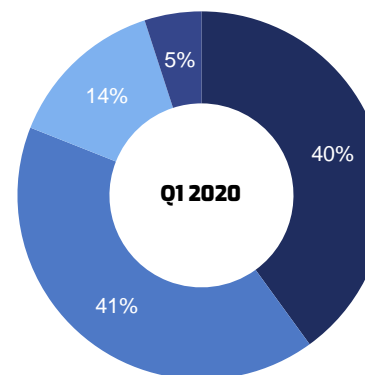


Dynamic growth of sales revenues

Sales revenues (M PLN)

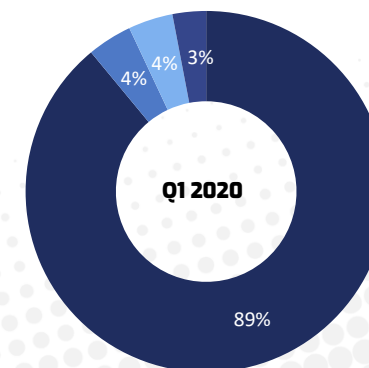


Geographic and product breakdown of revenues



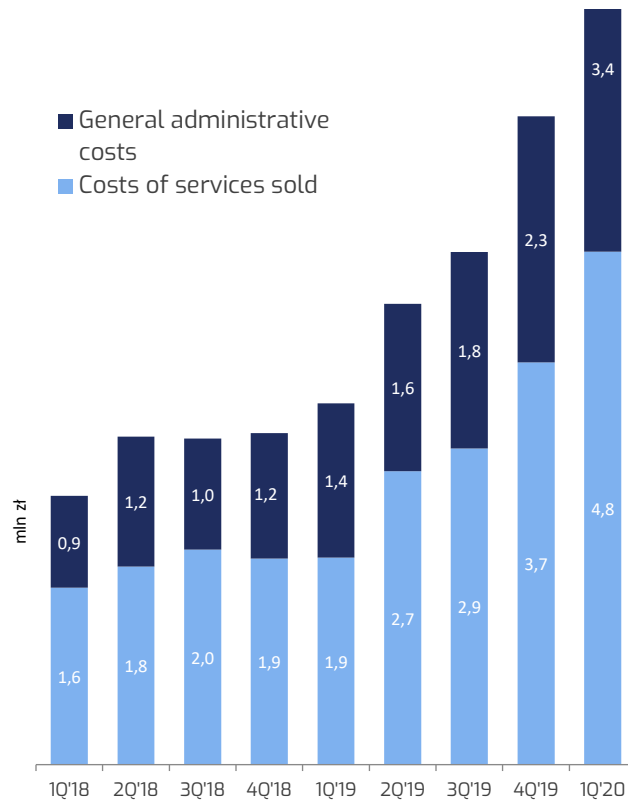
- North America
- Europe
- Asia
- Others

- Fishing Clash
- Let's Fish
- Wild Hunt
- Others

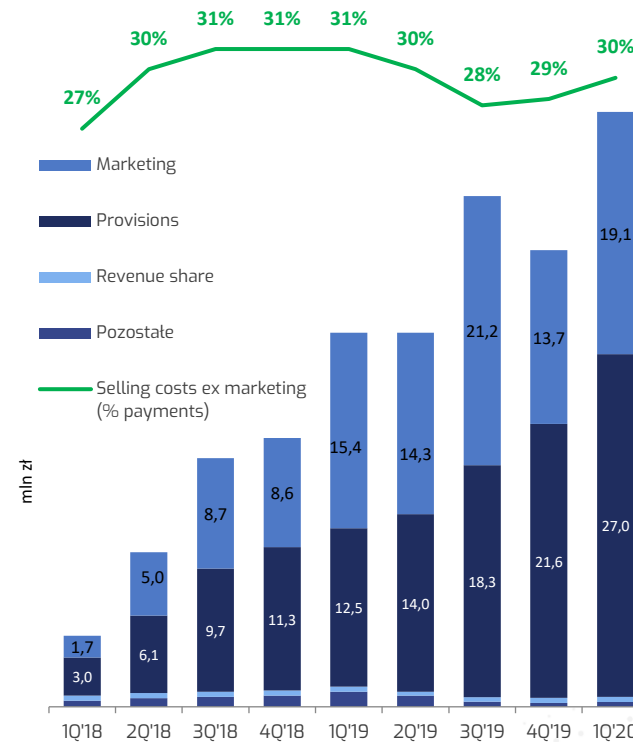


Operating costs under control

Operating costs excluding selling costs



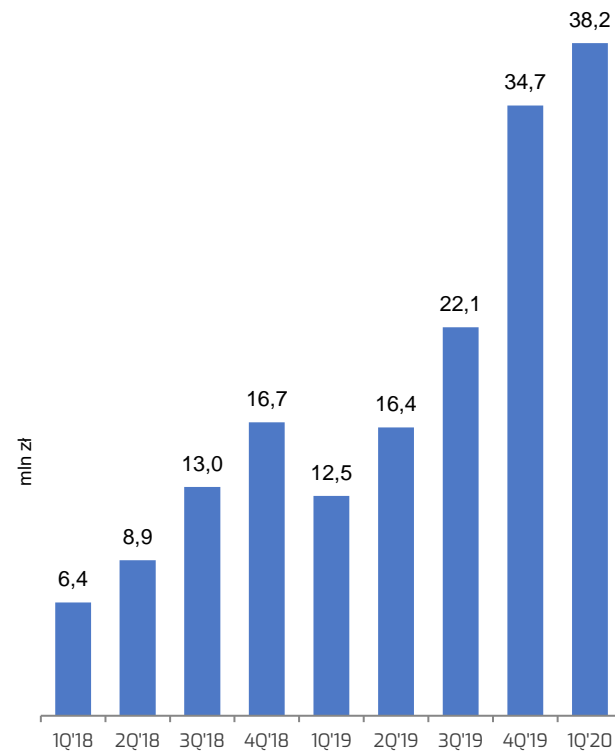
Selling costs



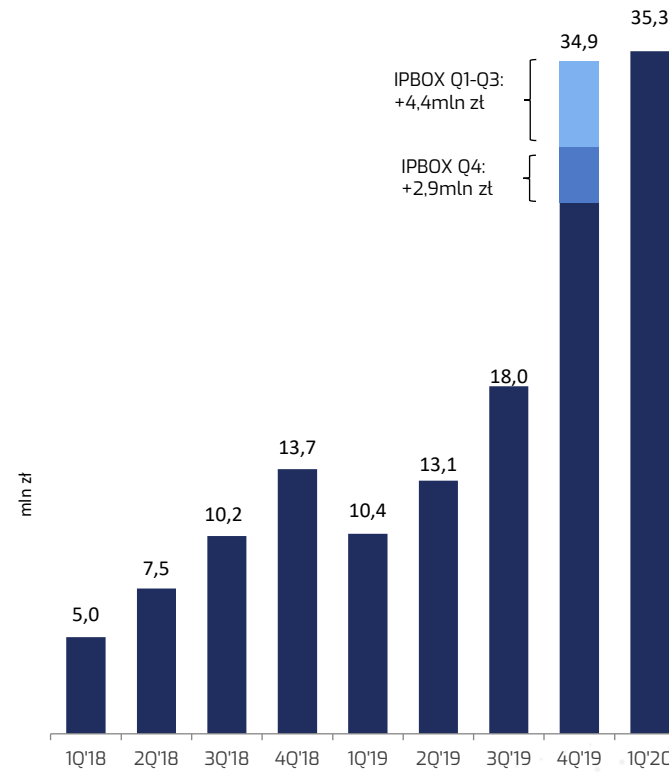
- Increase in operating costs due to gradual increase in staffing (project teams, general departments)
- Production costs increase with the strengthening of game teams in the soft launch and live phases
- Commissions directly proportional to increasing revenues
- Marketing budgets adapted to the dynamics of game development

All time best financial results

EBITDA



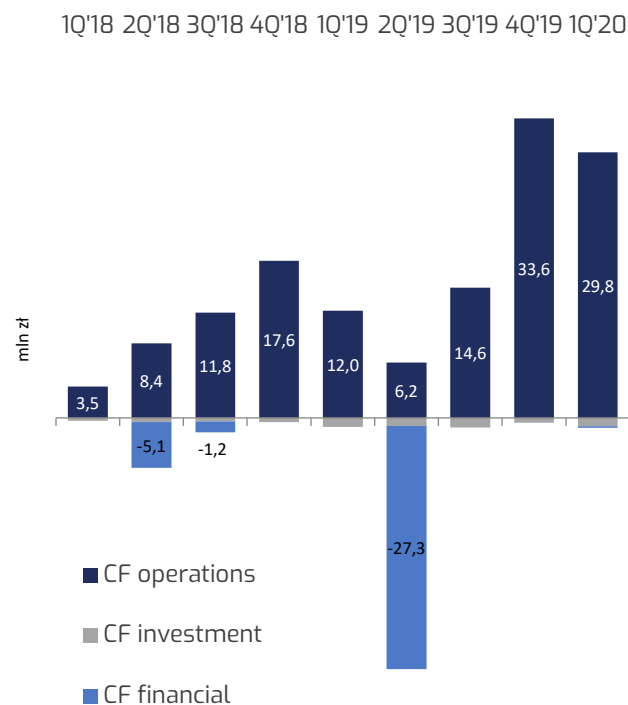
Net profit



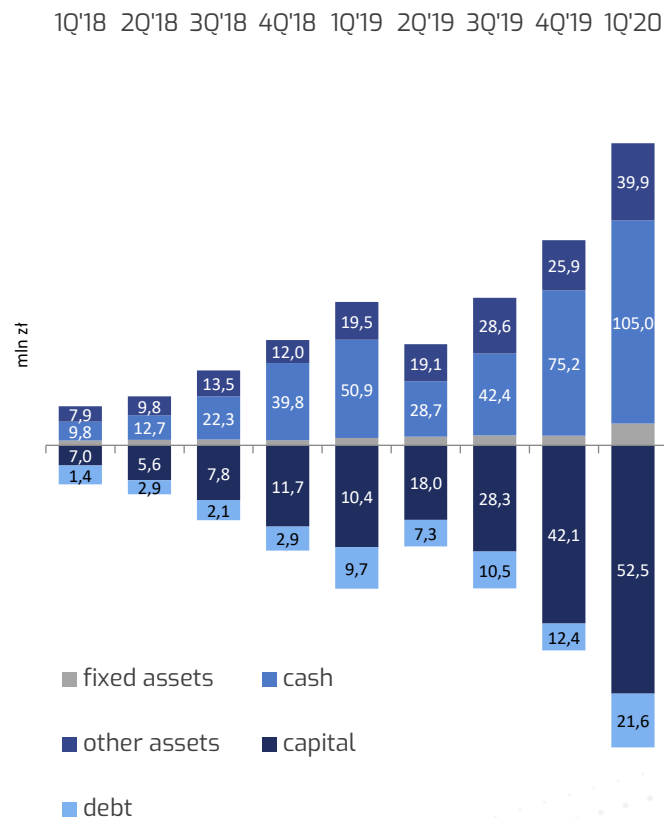
- The best quarter in terms of performance in the company's history
- EBITDA up by 205% yoy
- Net profit up by 239% yoy
- Starting from Q1 2020, the IPBOX tax relief is taken into account on an ongoing basis - the effective tax rate in Q1 2020 was 9.83% compared to 18.29% in Q1 2019.

High cash flow builds up cash position

Cash flow



Balance sheet structure



- Nearly 30M PLN operating cash flow in Q1 2020
- Very good capital situation - nearly 70% of the balance sheet total is cash
- In Q2 2020, a dividend payment of 27 M PLN million is planned.

Q1 2020 - Summary



- Phenomenal results in Q1 2020
 - The highest ever sales of Fishing Clash in the history of Fishing Clash in the next consecutive quarter
 - **95M PLN** sales revenues in Q1 2020 – up by **110%** yoy and **21%** qoq
 - **35,3M PLN** net profit in Q1 – up by **241%** yoy and **1%** qoq
- Strengthened management team - structure prepared for further development
- 8 parallel projects - 4 live, 3 in soft launch, 1 in production
- New dev team in Warsaw

Main targets and challenges for 2020



Constant development of the team



Portfolio building



New markets, potential transactions



Further development of the games

Continuous Product Improvement, User Acquisition, Fishing Clash in China



Product diversification

Three new titles in soft launch, one in production



New design office in Warsaw

Active review of M&A potential

Investor's callendar

- **Erste Bank Virtual Conference** – 04.06.2020
- **Q2 2020 revenue report** – early July 2020
- **Q2 2020 financial report** – 24.08.2020 (conference or video conference on 25.08.2020)

Q&A session





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	1Q'20	q/q	r/r
Revenues from sales	14 400	23 871	35 436	41 551	45 304	49 878	67 650	78 301	95 018	21%	110%
Fishing Clash	7 560	17 527	28 846	34 831	37 524	43 147	57 896	67 933	84 678	25%	126%
Let's Fish	3 705	3 749	4 318	4 682	4 096	3 316	3 600	4 202	3 869	-8%	-6%
Wild Hunt	668	926	1 265	2 021	2 439	2 094	2 344	2 749	3 543	29%	45%
Others	2 467	1 668	1 008	1 238	1 228	1 368	4 227	3 752	2 833	-24%	131%
Deferred revenues	0	0	0	-1 221	17	-48	-417	-335	96	-129%	478%
COGS	1 641	1 836	1 994	1 910	1 919	2 722	2 931	3 781	4 756	26%	148%
Gross profit on sales	12 758	22 034	33 443	39 641	43 384	47 155	64 719	74 520	90 261	21%	108%
GPS margin	89%	92%	94%	95%	96%	95%	96%	95%	95%	0%	0%
Selling costs	5 644	12 086	19 599	21 306	29 689	29 479	41 041	36 946	48 545	31%	64%
As % of revenues	39%	51%	55%	51%	66%	59%	61%	47%	51%	+4pp	-15pp
General and administrative costs	850	1 205	1 028	1 164	1 429	1 549	1 898	2 208	3 404	54%	138%
EBIT	6 265	8 743	12 815	16 492	12 296	16 130	21 776	34 376	37 555	9%	205%
EBITDA	6 444	8 857	13 023	16 688	12 482	16 400	22 095	34 750	38 249	10%	206%
EBITDA margin	45%	37%	37%	40%	28%	33%	33%	44%	40%	-4pp	+12pp
Net profit	4 999	7 528	10 234	13 709	10 356	13 054	18 149	34 827	35 341	1%	241%
Net profit margin	35%	32%	29%	33%	23%	26%	27%	44%	37%	-7pp	+14pp
Team size	113	124	131	139	151	168	200	215	231		

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	1Q'20
ASSETS									
Fixed assets	2 444	2 761	2 963	2 701	3 733	4 433	5 176	4 936	11 215
Trade receivables	6 684	8 734	12 228	10 671	16 249	15 652	24 012	20 737	34 447
Cash and cash equivalents	9 815	12 731	22 335	39 751	50 890	28 745	42 376	75 230	105 044
Current assets	17 678	22 552	35 813	51 766	70 399	47 861	71 021	101 109	144 958
Total assets	20 123	25 313	38 776	54 468	74 132	52 293	76 197	106 045	156 173
EQUITY AND LIABILITIES									
Equity	10 439	18 026	28 319	42 084	52 538	38 584	57 037	92 144	128 394
Leasing liabilities	0	0	0	0	0	0	0	0	5 511
Total long term liabilities	394	507	425	359	500	587	751	537	6 323
Trade payables	1 506	2 701	4 713	2 736	9 949	7 196	8 570	4 633	10 063
Total short term liabilities	9 290	6 780	10 032	12 024	21 093	13 122	18 409	13 363	21 455
Total liabilities	9 684	7 287	10 457	12 383	21 594	13 710	19 160	13 900	27 778
Total equity and liabilities	20 123	25 313	38 776	54 468	74 132	52 293	76 197	106 045	156 173

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	1Q'20
OPERATING ACTIVITIES									
Profit before tax	6 229	9 302	12 633	16 685	12 674	15 944	22 316	33 691	39 192
Total adjustments	-1 505	-743	-642	1 100	-299	-1 589	-7 197	671	-7 735
Amortisation	179	114	208	196	186	270	320	374	694
Cash from operations	4 724	8 560	11 992	17 785	12 375	14 356	15 119	34 362	31 457
Income tax paid	-1 225	-209	-198	-189	-370	-8 124	-541	-738	-1 673
Net cash flows from operating activities	3 500	8 351	11 794	17 596	12 005	6 232	14 579	33 623	29 784
INVESTMENT ACTIVITIES									
Inflows	0	0	0	0	0	0	0	0	0
Outflows	-353	-498	-420	-495	-1 002	-890	-1 097	-554	-960
Net cash flows from investing activities	-353	-498	-420	-495	-1 002	-890	-1 097	-554	960
FINANCIAL ACTIVITIES									
Inflows	0	0	0	0	0	0	2	0	20
Outflows	0	-5 110	-1 199	0	0	-27 311	0	0	-194
<i>Dividends</i>	0	-5 110	-1 199	0	0	-27 311	0	0	0
Net cash flows from financing activities	0	-5 110	-1 199	0	0	-27 311	2	0	-174
Net cash flows total	3 146	2 743	10 175	17 101	11 003	-21 968	13 483	33 069	28 650

Geographic breakdown of revenues

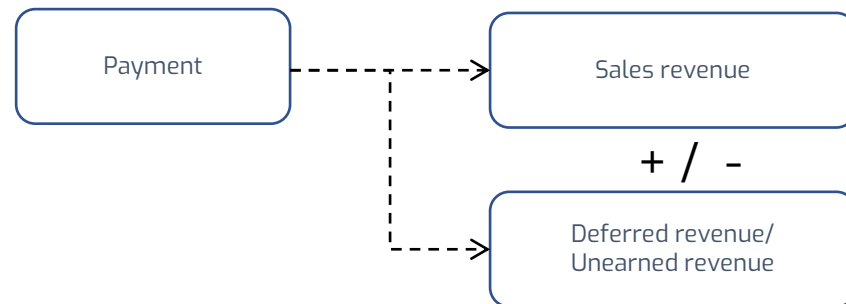
In k PLN	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	q/q	r/r
North America	4 822	10 938	15 732	16 254	18 841	21 646	28 718	31 965	38 250	19,7%	103,0%
Europe	6 404	8 818	14 597	19 344	19 059	19 790	26 551	31 026	39 269	26,6%	106,0%
Poland	1 556	1 762	2 534	3 598	3 367	3 170	3 918	4 807	5 696	18,5%	69,2%
Others	4 848	7 056	12 063	15 746	15 691	16 620	22 634	26 219	33 573	28,0%	114,0%
Asia	2 195	2 635	3 191	4 670	5 191	6 134	9 690	11 930	12 875	7,9%	148,0%
South America	422	615	786	1 055	922	975	1420	1 843	2 416	31,1%	162,1%
Australia and Oceania	389	579	685	762	860	957	1115	1 149	1 410	22,7%	64,0%
Africa	169	286	447	686	415	423	573	723	702	-3,0%	69,0%

% share of revenues	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	q/q [p.p.]	r/r [p.p.]
North America	33,5%	45,8%	44,4%	39,1%	41,6%	43,4%	42,2%	40,6%	40,3%	-0,4	-1,3
Europe	44,5%	36,9%	41,2%	46,6%	42,1%	39,7%	39%	39,5%	41,4%	1,9	-0,7
Poland	10,8%	7,4%	7,2%	8,7%	7,4%	6,4%	5,8%	6,1%	6,0%	-0,1	-1,4
Others	33,7%	29,6%	34,0%	37,9%	34,6%	33,3%	33,2%	33,3%	35,4%	2,0	0,7
Asia	15,2%	11,0%	9,0%	11,2%	11,5%	12,3%	14,2%	15,2%	13,6%	-1,6	2,1
South America	2,9%	2,6%	2,2%	2,5%	2,0%	2,0%	2,1%	2,3%	2,5%	0,2	0,5
Australia and Oceania	2,7%	2,4%	1,9%	1,8%	1,9%	1,9%	1,6%	1,5%	1,5%	0,0	-0,4
Africa	1,2%	1,2%	1,3%	1,7%	0,9%	0,8%	0,8%	0,9%	0,7%	-0,2	-0,2

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”



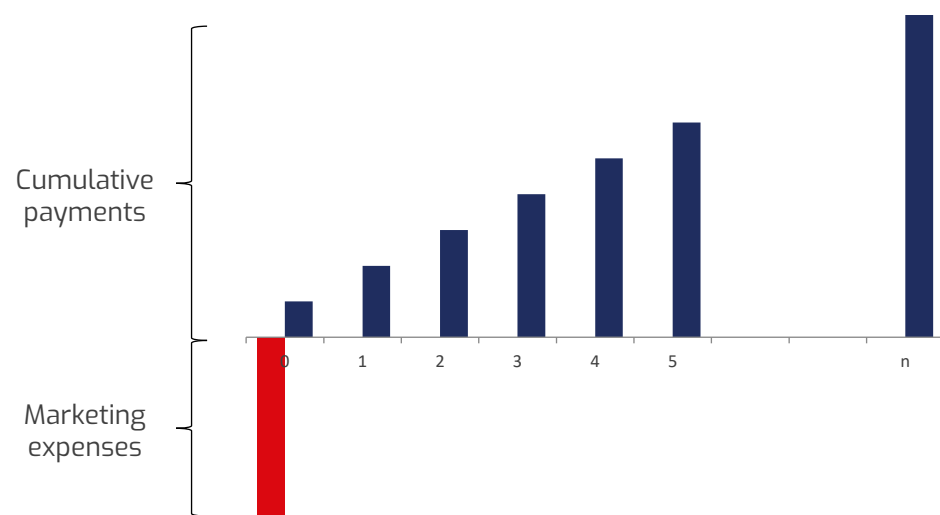
- Payment -> a player purchases virtual currency
- Revenue -> the player uses the virtual currency to purchase a virtual goods (e.g. rods, lure packs)
- Deferred revenue -> unused balance of virtual currency booked as „Unearned revenue” on the balance sheet

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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