

Q2 2020 Results

August 2020



Q2 2020 highlights



Revenues 50→170 M PLN
+240% yoy

Net profit 13→34 M PLN*
+166% yoy



TOP 50

Fishing Clash
48th top grossing
game in Google
Play** store



Global Testing

Solitales and Hunting
Clash available
worldwide

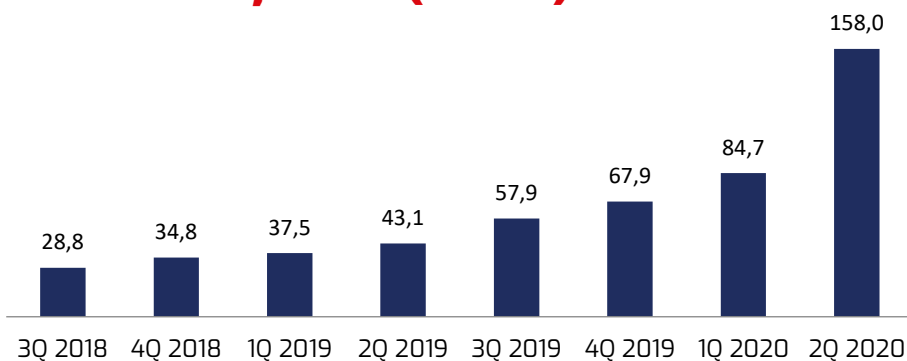
* Net profit of Q2 2020 adjusted by non cash cost of 6 M PLN

** Source: App Annie, top grossing games ranking in Google Play in June 2020

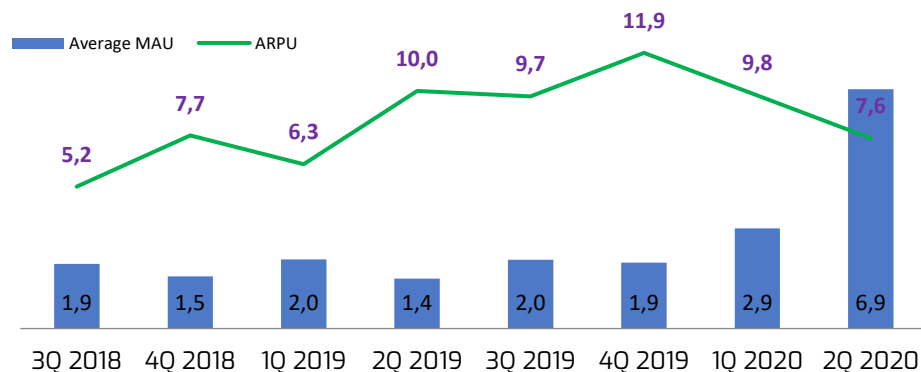
Q2 2020 Results

Fishing Clash – a leap forward in performance

Payments (M PLN)



Average MAU (M) and monthly ARPU (PLN)

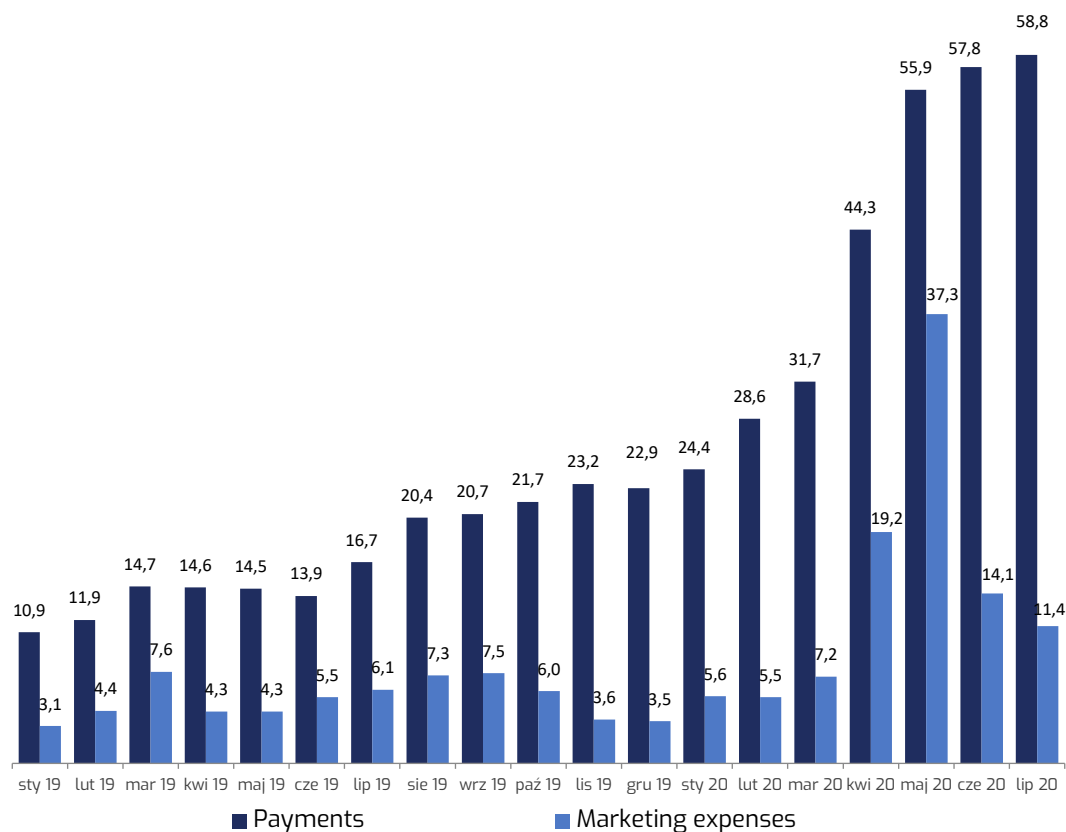


- **88%** growth of payments qoq in Q2 2020
- Continuous development of the game - new fisheries, fish, improvement of the key buff system
- Constant live-ops and mechanics improvements
- ARPU decrease naturally correlated with MAU growth (huge organic traffic, record marketing)



Fishing Clash – intensive marketing scaling

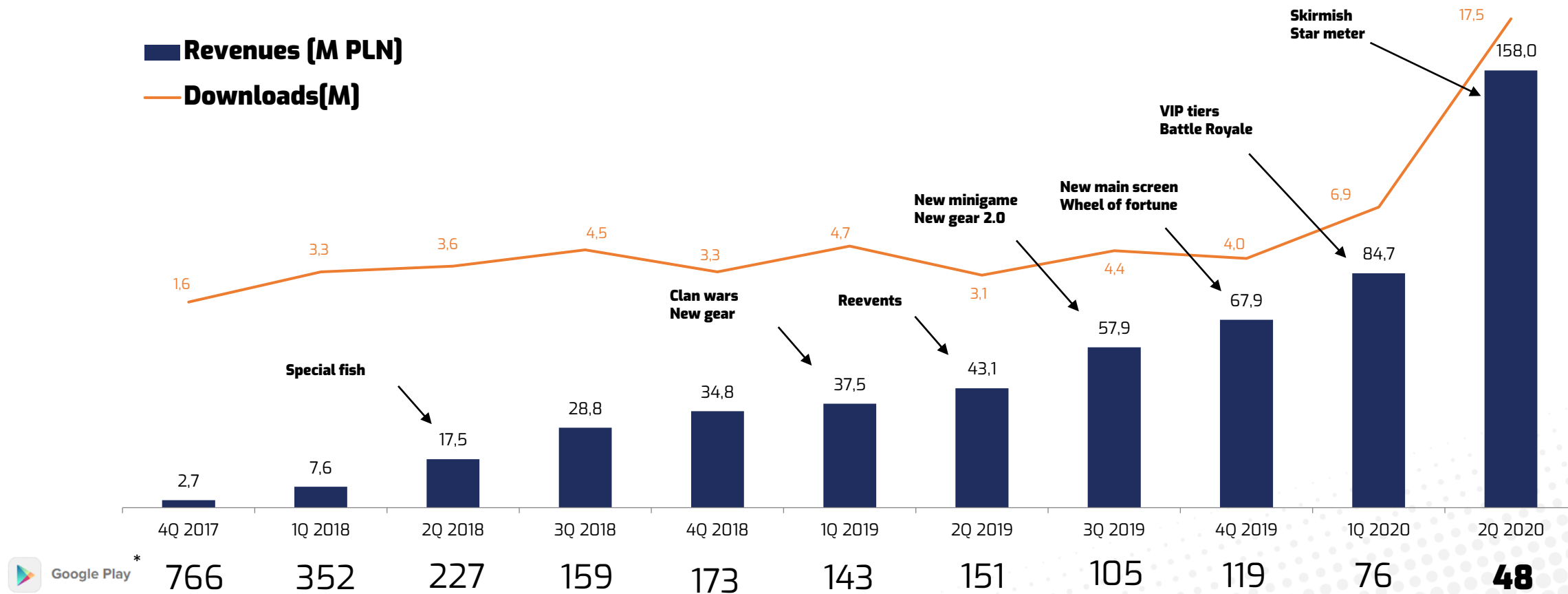
Payments and marketing expenses (M PLN)



- A leap in revenue in the second quarter - due to improved game parameters and a large influx of new users
- The level of marketing spending increased sharply in April and May based on statistical models (high ROI expected); tests conducted in March, at the beginning of the pandemic, indicated very favourable market conditions

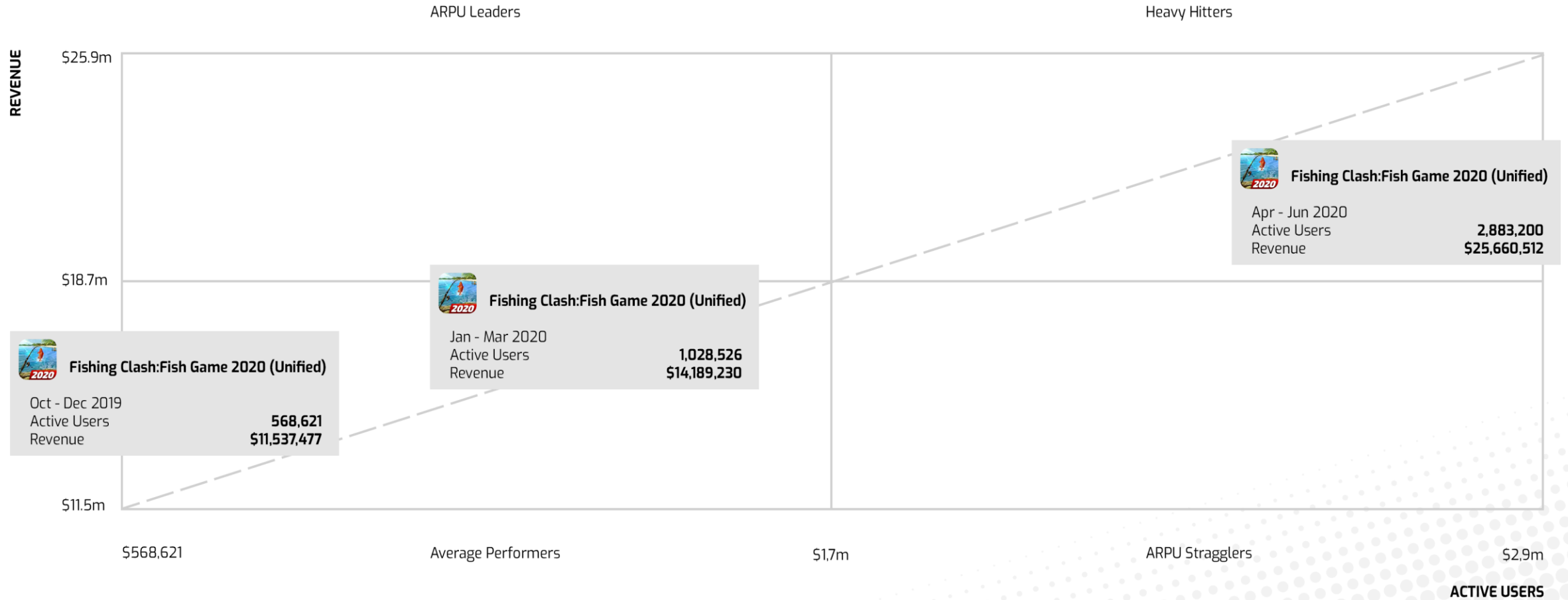


Constant development of Fishing Clash



* Ranking of top grossing games on Android, last month of each quarter, App Annie

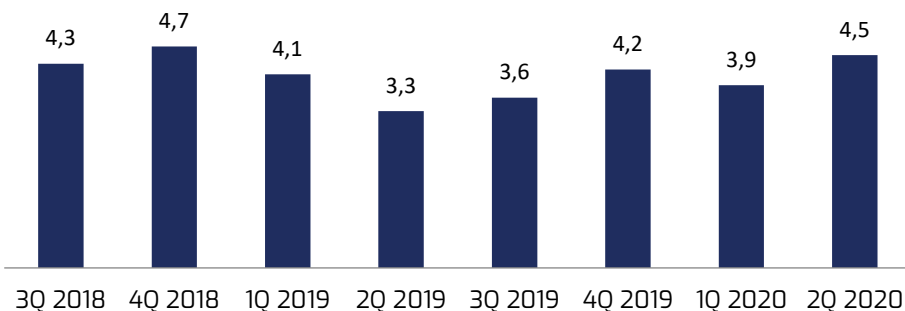
Improving monetisation of Fishing Clash



Source: App Annie Insights Generator, User Monetisation – Fishing Clash, all phones, worldwide

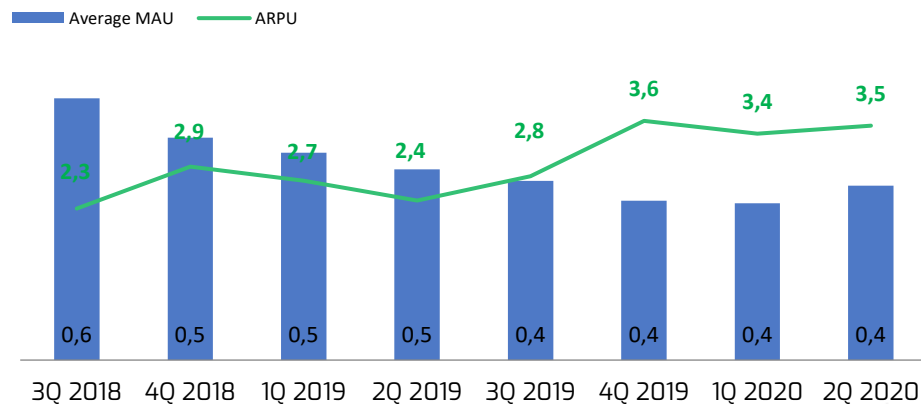
Let's Fish – stable revenue level

Payments (M PLN)



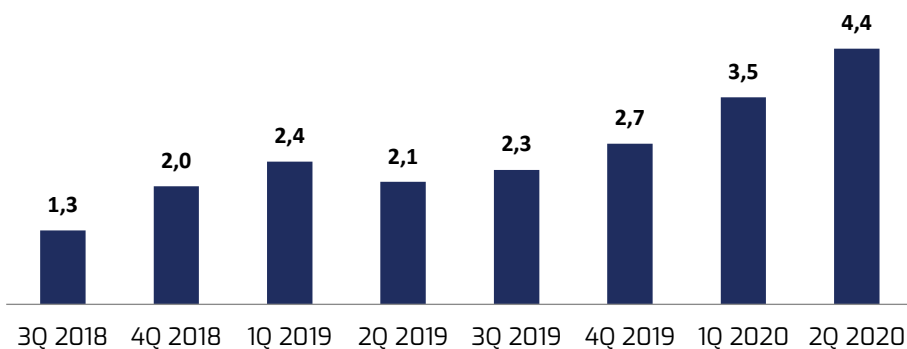
- **4,5M PLN** revenues in Q2 2020 in comparison to **3,9M PLN** in Q1 2020 – growth by **15%** qoq
- Further product development - new fisheries, fish, equipment, continuous development of Live Ops activities (mainly working on full event globalization)

Average MAU (M) and monthly ARPU (PLN)

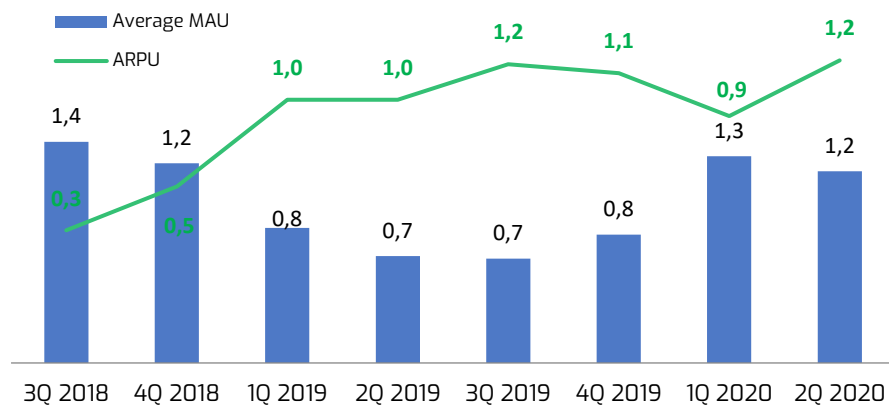


Wild Hunt – record quarterly turnover

Payments (M PLN)



Average MAU (M) and monthly ARPU (PLN)

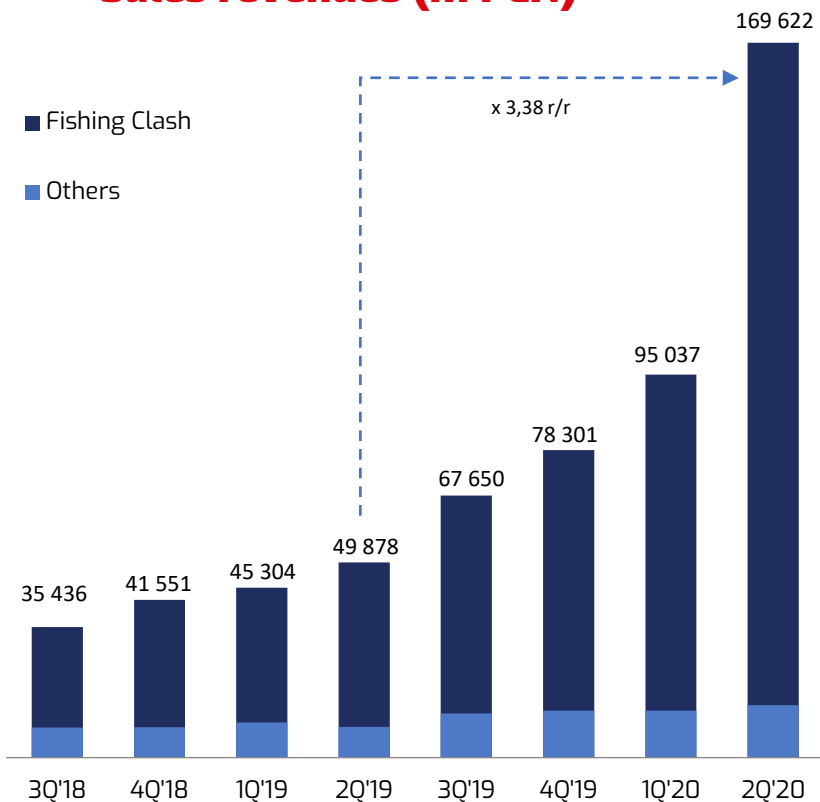


- **26 %** revenue growth in Q2 2020 qoq, **+109%** yoy
- Continuous delivery of new content: locations, animals, weapons; improvement of analytical and testing infrastructure and live ops operations
- Higher ARPU thanks to constant game improvement

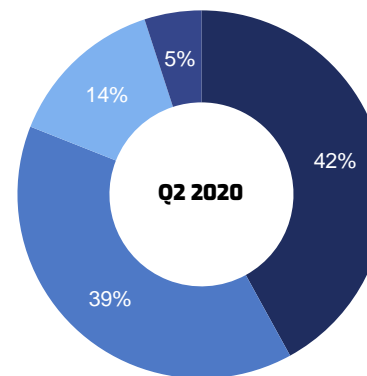


High revenue dynamics

Sales revenues (M PLN)

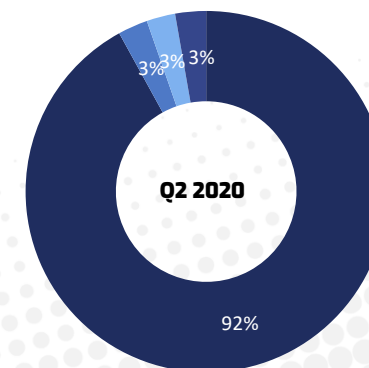


Geographic and product breakdown of revenues



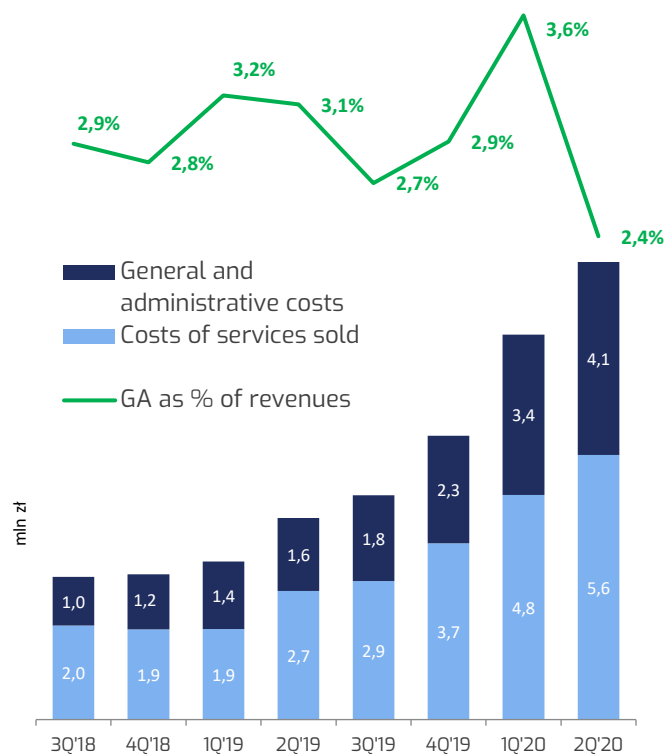
- North America
- Europe
- Asia
- Others

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

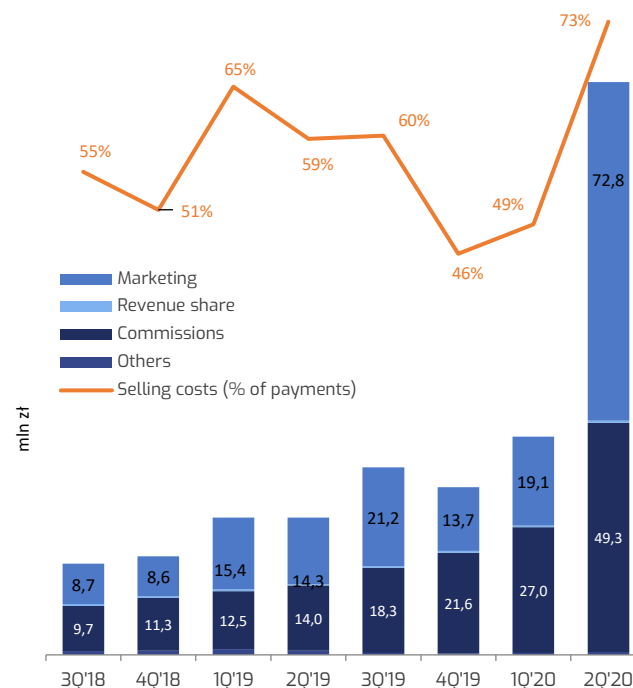


Temporarily increased operating costs

Operating costs ex selling costs*



Selling costs

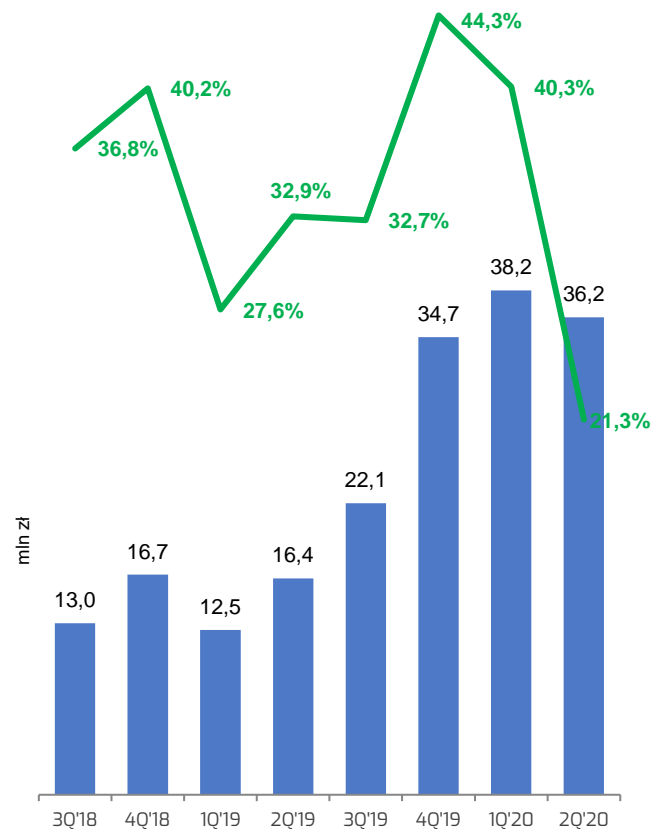


- Increase in operating costs due to gradual increase in employment (project teams, general departments)
- Costs of services sold increase with the strengthening of game teams in the soft launch and live phases
- Commissions directly proportional to growing revenues
- Largest ever marketing budgets in Q2 2020 due to the unique situation on the User Acquisition market
- Reported results include non-cash cost of share-based payment in accordance with IFRS

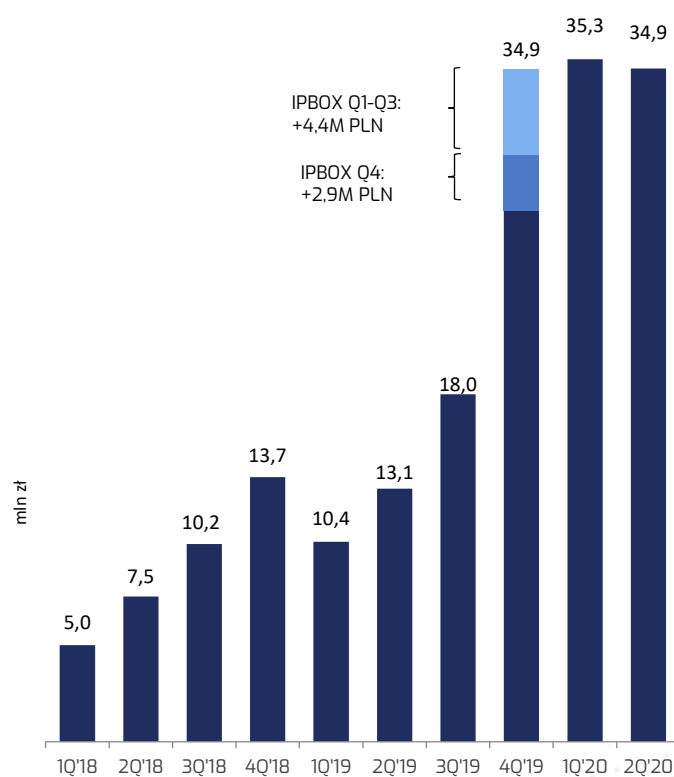
* Results standardized by deducting non-cash expense of PLN 6 million included in general and administrative costs in Q2 2020

Standardized operating results ^{*}

EBITDA standardized ^{*}



Standardized net profit ^{*}

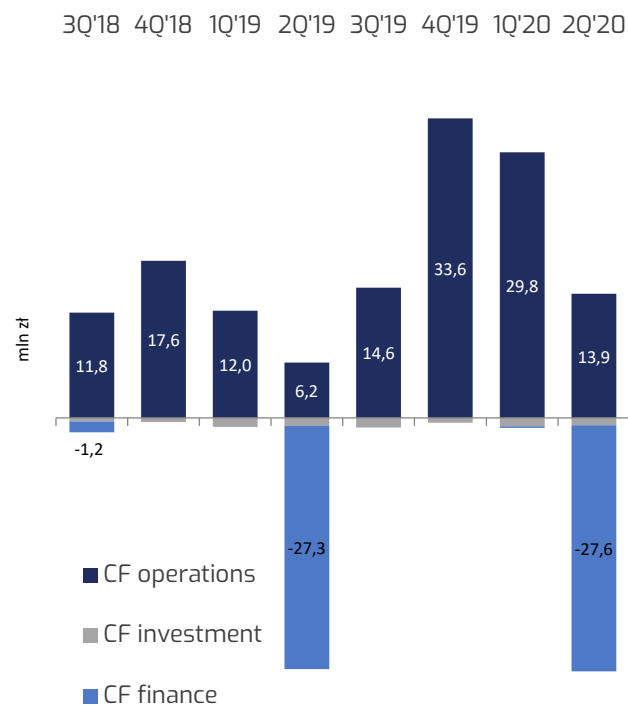


- Accounting results in Q2 2020 reduced by non-cash cost of share-based payments of PLN 6 million
- Increase in standardized EBITDA ^{*} by 120% y/y
- Increase in standardized net profit ^{*} by 166% y/y
- Standardized results ^{*} flat quarter-on-quarter despite nearly fourfold increase in marketing expenses

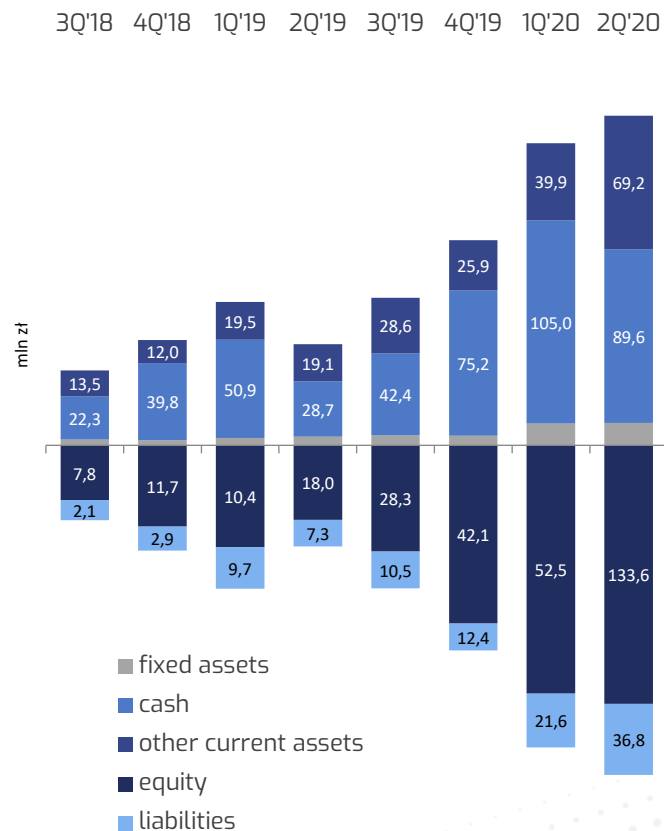
^{*} Results standardized by deducting non-cash expense of PLN 6 million included in general and administrative costs in Q2 2020

Quick cash recovery after dividend payment

Cash flow



Balance sheet structure



- Operating cash flow in Q2 2020 lowered by a leap in marketing expenses
- Very good capital situation - more than half of the balance sheet total is cash
- In Q2 2020, a dividend of PLN 27 million was paid out.

Q2 2020 Summary



- Fishing Clash growth acceleration in Q2 2020
 - The highest ever sales of Fishing Clash in history in the next quarter in a row, supported by record-breaking expenditure on User Acquisition
 - PLN 158 million of sales revenue in Q2 2020 - an increase of 266% y/y and 86% q/q
 - Game ready for years of further development and monetization
- 8 parallel projects, 4 in live phase, 3 in soft launch (two of them already available globally, one in the near future), 1 in production

Global testing of new games



Start

27.07.2020

24.08.2020

Wrzesień 2020

Goal

Checking the marketing and monetization potential of games on a large population in target markets

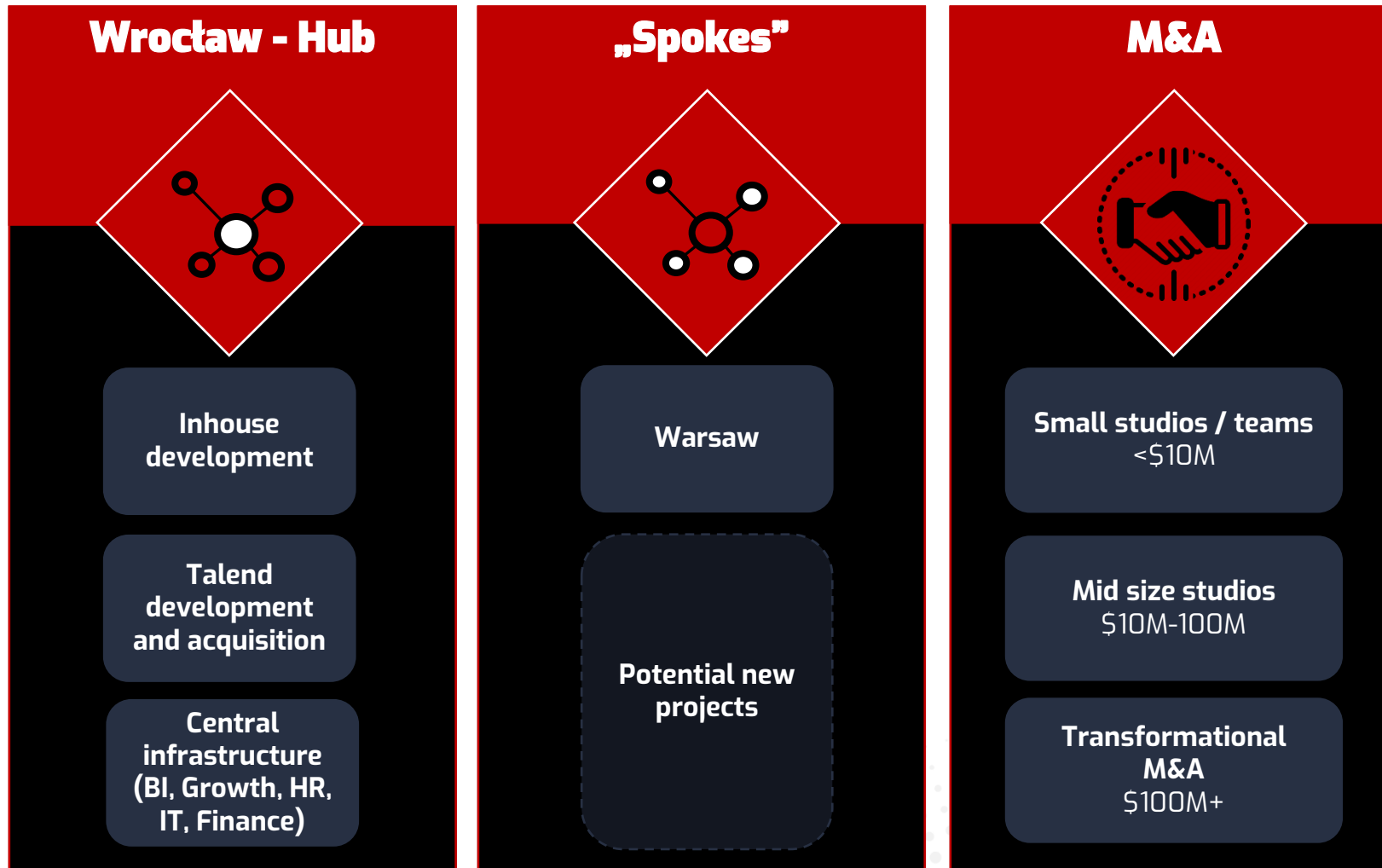
UA budget

Total for three new games about \$1.5M in the first month

Next steps

About 6 months after the global launch

Strategy update – three growth pillars



Investor's calendar – coming soon

- **Erste Group Innovation Conference** – Virtual – 03.09.2020
- **IPOPEMA Gaming Days** – Virtual – 15-16.09.2020
- **PKO Innovation Day** – Virtual – 22-23.09.2020
- **Erste Group The Finest CEElection** – Virtual – 06-07.10.2020
- **TRIGON Conference** – Virtual – 12-14.10.2020
- **Auerbach Grayson Emerging & Frontier Markets Conference** – Virtual – 26-27.10.2020
- **Q3 2020 Sales Report** – early October 2020
- **Q3 2020 Financial Report** – 23.11.2020 (conference or video conference on 24.11.2020)

Q&A SESSION





THANK YOU

IR Contact

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Results summary – P&L

Selected items of P&L in k PLN	1Q'18	2Q'18	3Q'18	4Q'18	2018	1Q'19	2Q'19	3Q'19	4Q'19	2019	1Q'20	2Q'20	q/q	r/r
Revenues from sales	14 400	23 871	35 436	41 551	115 258	45 304	49 878	67 650	78 301	241 133	95 018	169 622	+79%	+240%
Fishing Clash	7 560	17 527	28 846	34 831	88 763	37 524	43 147	57 896	67 933	206 501	84 678	158 044	+87%	+266%
Let's Fish	3 705	3 749	4 318	4 682	16 453	4 096	3 316	3 600	4 202	15 214	3 869	4 551	+18%	+37%
Wild Hunt	668	926	1 265	2 021	4 880	2 439	2 094	2 344	2 749	9 626	3 543	4 375	+24%	+109%
Others	2 467	1 668	1 008	1 238	6 381	1 228	1 368	4 227	3 752	10 575	2 833	3 346	+18%	+145%
Deferred revenues	0	0	0	-1 221	-1 221	17	-48	-417	-335	-783	96	-694	n/d	n/d
COGS	1 641	1 836	1 994	1 910	7 382	1 919	2 722	2 931	3 781	11 354	4 756	5 605	+18%	+106%
Gross profit on sales	12 758	22 034	33 443	39 641	107 876	43 384	47 155	64 719	74 520	229 779	90 261	164 017	+82%	+248%
GPS margin	89%	92%	94%	95%	94%	96%	95%	96%	95%	95%	95%	97%	+2pp	+2pp
Selling costs	5 644	12 086	19 599	21 306	58 635	29 689	29 479	41 041	36 946	137 154	48 545	124 795	+157%	+323%
As % of revenues	39%	51%	55%	51%	51%	66%	59%	61%	47%	57%	51%	73%	+22pp	+14%
General and administrative costs	850	1 205	1 028	1 164	4 246	1 429	1 549	1 898	2 208	7 084	3 404	9 722	+186%	+528%
EBIT	6 265	8 743	12 815	16 492	44 315	12 296	16 130	21 776	34 376	84 577	37 555	29 422	-22%	+82%
EBITDA	6 444	8 857	13 023	16 688	45 012	12 482	16 400	22 095	34 750	85 728	38 249	30 159	-21%	+84%
EBITDA margin	45%	37%	37%	40%	39%	28%	33%	33%	44%	36%	40%	18%	-22pp	-15pp
Net profit	4 999	7 528	10 234	13 709	36 469	10 356	13 054	18 149	34 827	76 386	35 341	25 622	-27%	+96%
Net profit margin	35%	32%	29%	33%	32%	23%	26%	27%	44%	32%	37%	15%	-22pp	-11pp
Team size	113	124	131	139	139	151	168	200	215	215	231	275		

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	2Q'20
ASSETS										
Fixed assets	2 444	2 761	2 963	2 701	3 733	4 433	5 176	4 936	11 215	11 604
Trade receivables	6 684	8 734	12 228	10 671	16 249	15 652	24 012	20 737	34 447	58 723
Cash and cash equivalents	9 815	12 731	22 335	39 751	50 890	28 745	42 376	75 230	105 044	89 527
Current assets	17 678	22 552	35 813	51 766	70 399	47 861	71 021	101 109	144 958	158 751
Total assets	20 123	25 313	38 776	54 468	74 132	52 293	76 197	106 045	156 173	170 355
EQUITY AND LIABILITIES										
Equity	10 439	18 026	28 319	42 084	52 538	38 584	57 037	92 144	128 394	133 578
Leasing liabilities	0	0	0	0	0	0	0	0	5 511	5 252
Total long term liabilities	394	507	425	359	500	587	751	537	6 323	5 867
Trade payables	1 506	2 701	4 713	2 736	9 949	7 196	8 570	4 633	10 063	23 285
Total short term liabilities	9 290	6 780	10 032	12 024	21 093	13 122	18 409	13 363	21 455	30 909
Total liabilities	9 684	7 287	10 457	12 383	21 594	13 710	19 160	13 900	27 778	36 776
Total equity and liabilities	20 123	25 313	38 776	54 468	74 132	52 293	76 197	106 045	156 173	170 355

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	2Q'20
OPERATING ACTIVITIES										
Profit before tax	6 229	9 302	12 633	16 685	12 674	15 944	22 316	33 691	39 192	28 814
Total adjustments	-1 505	-743	-642	1 100	-299	-1 589	-7 197	671	-7 735	-6 675
Amortisation	179	114	208	196	186	270	320	374	694	737
Cash from operations	4 724	8 560	11 992	17 785	12 375	14 356	15 119	34 362	31 457	22 139
Income tax paid	-1 225	-209	-198	-189	-370	-8 124	-541	-738	-1 673	-8 230
Net cash flows from operating activities	3 500	8 351	11 794	17 596	12 005	6 232	14 579	33 623	29 784	13 909
INVESTMENT ACTIVITIES										
Inflows	0	0	0	0	0	0	0	0	0	20
Outflows	-353	-498	-420	-495	-1 002	-890	-1 097	-554	-960	-868
Net cash flows from investing activities	-353	-498	-420	-495	-1 002	-890	-1 097	-554	960	848
FINANCIAL ACTIVITIES										
Inflows	0	0	0	0	0	0	2	0	20	0
Outflows	0	-5 110	-1 199	0	0	-27 311	0	0	-194	-27 568
Dividends	0	-5 110	-1 199	0	0	-27 311	0	0	0	-27 371
Net cash flows from financing activities	0	-5 110	-1 199	0	0	-27 311	2	0	-174	-27 588
Net cash flows total	3 146	2 743	10 175	17 101	11 003	-21 968	13 483	33 069	28 650	-14 526

Geographic breakdown of revenues

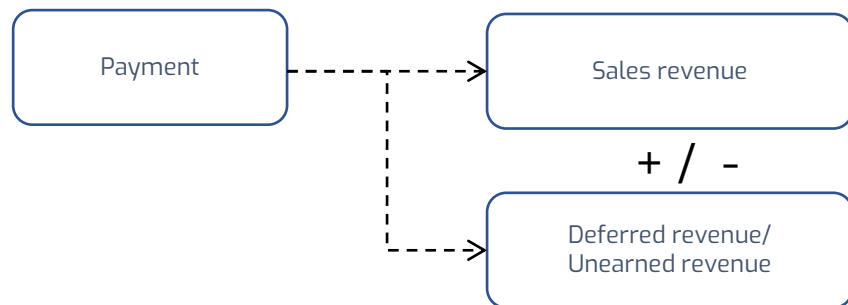
In k PLN	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20
North America	4 822	10 938	15 732	16 254	18 841	21 646	28 718	31 965	38 250	72 716
Europe	6 404	8 818	14 597	19 344	19 059	19 790	26 551	31 026	39 269	64 966
Poland	1 556	1 762	2 534	3 598	3 367	3 170	3 918	4 807	5 696	8 139
Others	4 848	7 056	12 063	15 746	15 691	16 620	22 634	26 219	33 573	56 827
Asia	2 195	2 635	3 191	4 670	5 191	6 134	9 690	11 930	12 875	23 830
South America	422	615	786	1 055	922	975	1 420	1 843	2 416	4 831
Australia and Oceania	389	579	685	762	860	957	1 115	1 149	1 410	2 744
Africa	169	286	447	686	415	423	573	723	702	1 228

% share of revenues	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20
North America	33,5%	45,8%	44,4%	39,1%	41,6%	43,4%	42,2%	40,6%	40,3%	42,7%
Europe	44,5%	36,9%	41,2%	46,6%	42,1%	39,7%	39%	39,5%	41,4%	38,1%
Poland	10,8%	7,4%	7,2%	8,7%	7,4%	6,4%	5,8%	6,1%	6,0%	4,8%
Others	33,7%	29,6%	34,0%	37,9%	34,6%	33,3%	33,2%	33,3%	35,4%	33,3%
Asia	15,2%	11,0%	9,0%	11,2%	11,5%	12,3%	14,2%	15,2%	13,6%	14%
South America	2,9%	2,6%	2,2%	2,5%	2,0%	2,0%	2,1%	2,3%	2,5%	2,8%
Australia and Oceania	2,7%	2,4%	1,9%	1,8%	1,9%	1,9%	1,6%	1,5%	1,5%	1,6%
Africa	1,2%	1,2%	1,3%	1,7%	0,9%	0,8%	0,8%	0,9%	0,7%	0,8%

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”



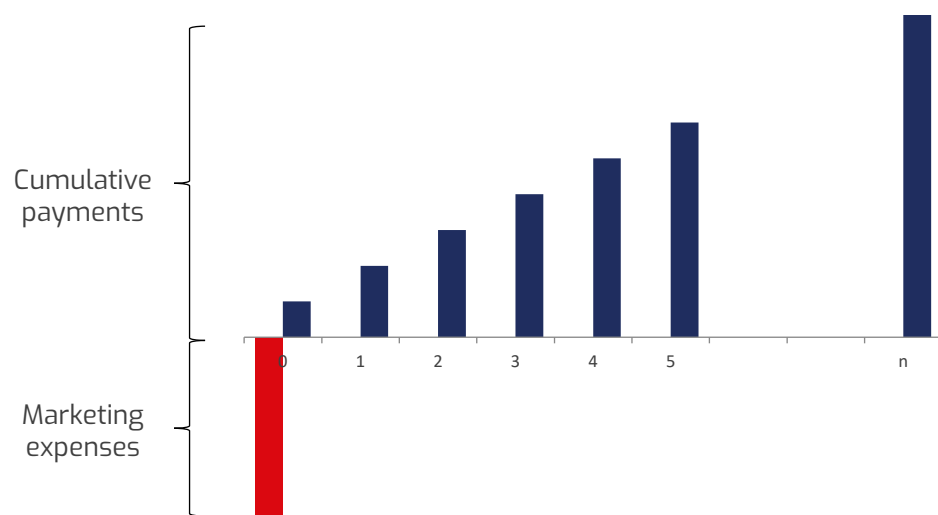
- Payment -> a player purchases virtual currency
- Revenue -> the player uses the virtual currency to purchase a virtual goods (e.g. rods, lure packs)
- Deferred revenue -> unused balance of virtual currency booked as „Unearned revenue” on the balance sheet

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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