



ten square\_games

# Q1 2021 RESULTS

**May 25, 2021**



# Q1 2021 HIGHLIGHTS



# Q1 2021 HIGHLIGHTS

## 1 Results dynamics



**Bookings PLN 95M→169M\***  
(+77% yoy)

**Adj. EBITDA PLN 38M→65M\***  
(+71% yoy)

## 2 Product decisions

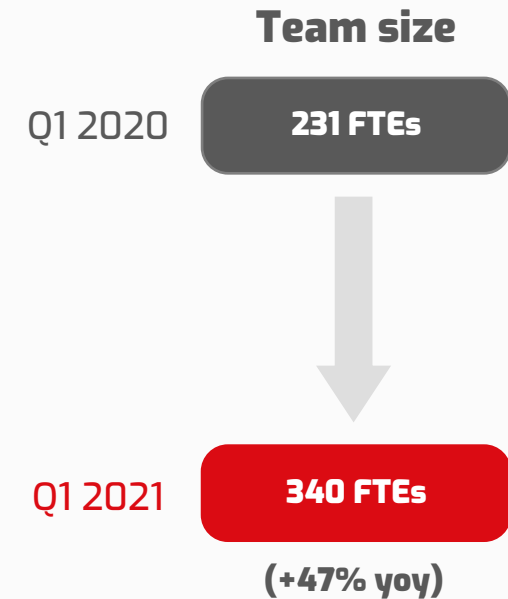


**New product  
update**



**Decision time**

## 3 Investment in future growth



*\*Consolidated numbers; Adjusted EBITDA reconciliation as on slide 38*

# NEW GAME – FOOTBALL ELITE



- **Game type:** Sports / Clash / slot
- **Target audience:** sports fans, looking for entertainment with strong social elements; profile similar to Fishing Clash players (mostly US, Canada, Germany, UK)
- **Market potential:** huge – over 60% of US population watches football (**150M people!**)
- **Other American football games:** Madden NFL, Touchdown Glory, Rival Stars College Football

# NEW GAME – FOOTBALL ELITE

## The Journey



**Incubation**

**>12 months** – research, internal pitching, discussions, early prototypes

**Development**

**7 months** – fastest in TSG history!

**Technical launch**

**May 2021, USA**

**Current status**

**Simple, playable early version available on Android**

**Soft Launch**

**Planned in H2 2021**

**Vision:** very deep, Clash-like meta, advanced live ops, strong social layer (clans etc.), fast rollout of new features

# GOLF ROYALE DISCONTINUED



- Game in development since late 2019
- Technical launch: January 2021
- Key findings of market research:
  - Market **overcrowded** in recent months
  - **Good feature set**, but similar approach taken by new competition
  - Very strong TOP 2 players

**Decision:** Decision to discontinue development in May 2021, team split between other projects

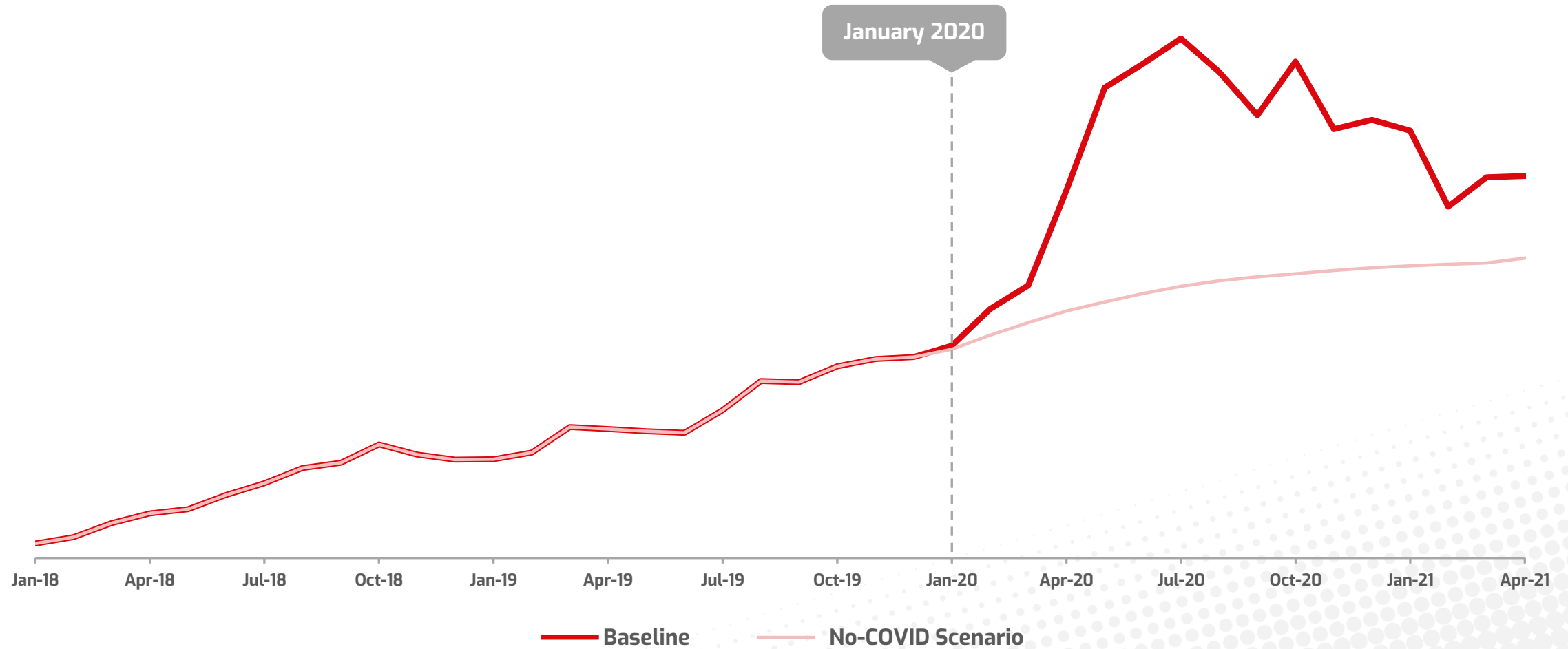


# PORTFOLIO PERFORMANCE



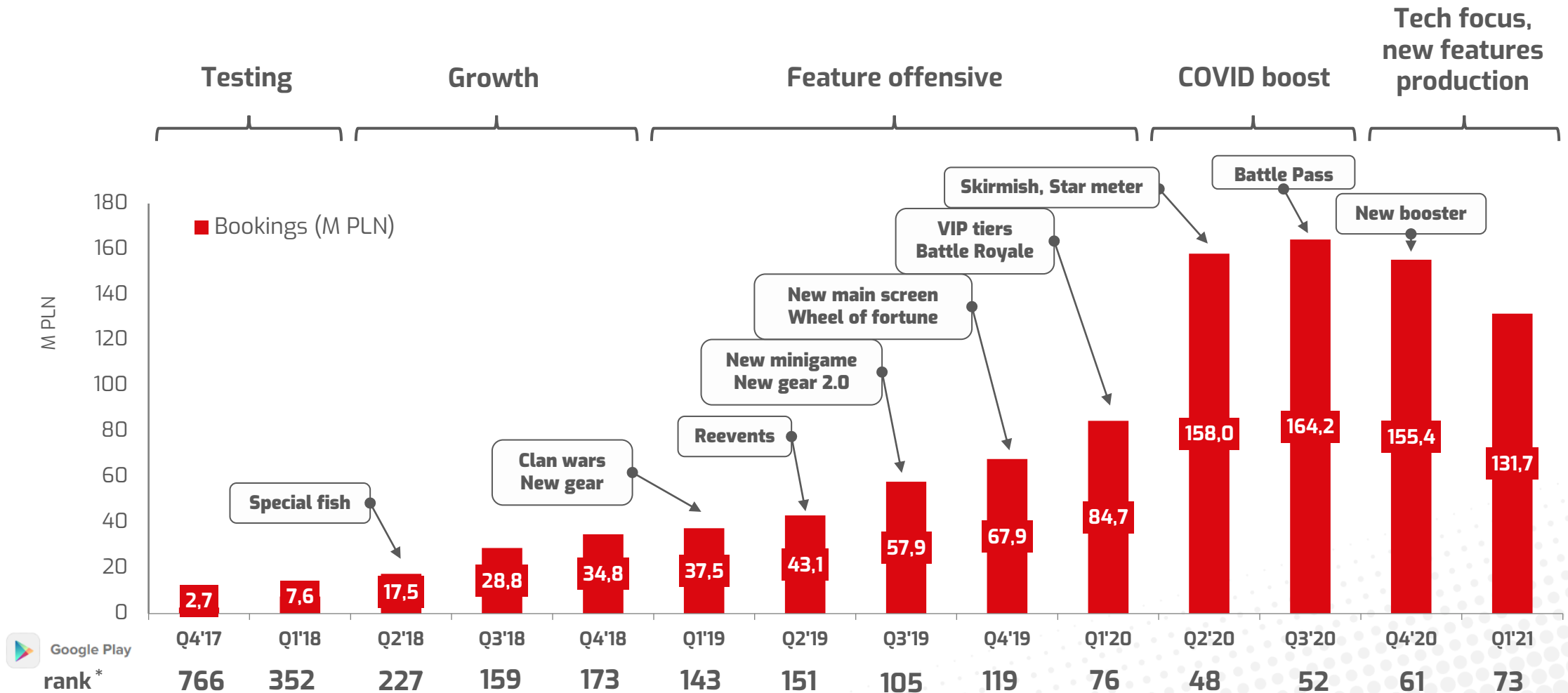
# COVID-19 IMPACT - ACCELERATION OF FISHING CLASH GROWTH BY APPROXIMATELY 18 MONTHS

## Fishing Clash bookings trajectory





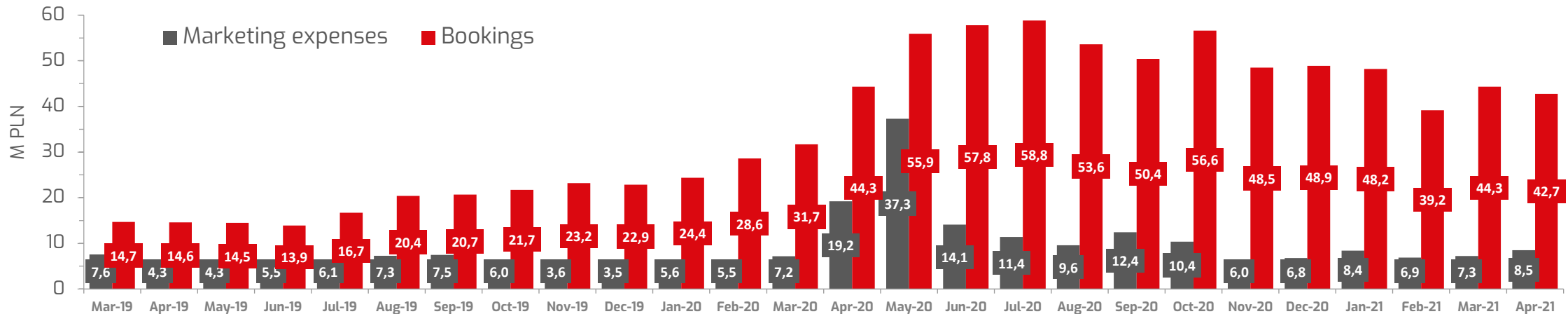
# FISHING CLASH DEVELOPMENT



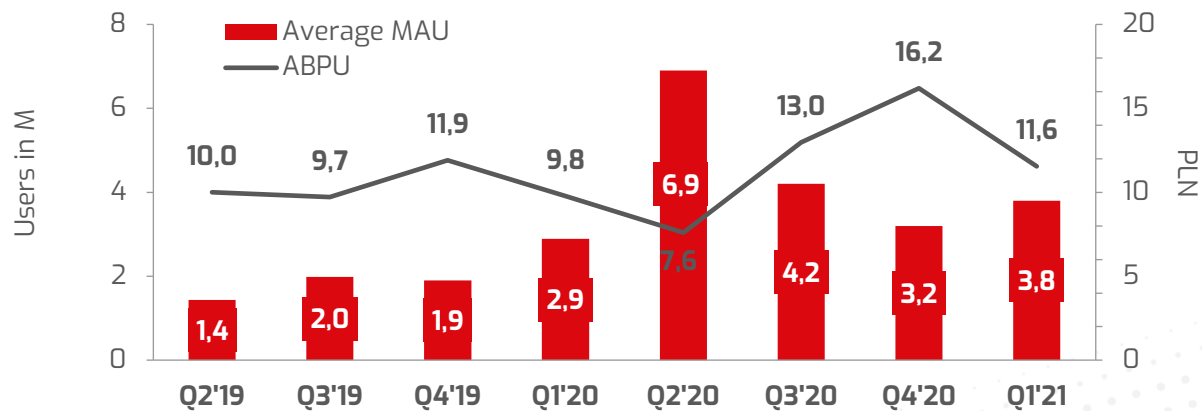
\* Ranking of top grossing games on Android, last month of each quarter, App Annie

# FISHING CLASH BOOKINGS AT A HIGHER POST – COVID BASE

## Bookings and marketing expenses (M PLN)



## Average MAU (M) and monthly ABPU\* (PLN)

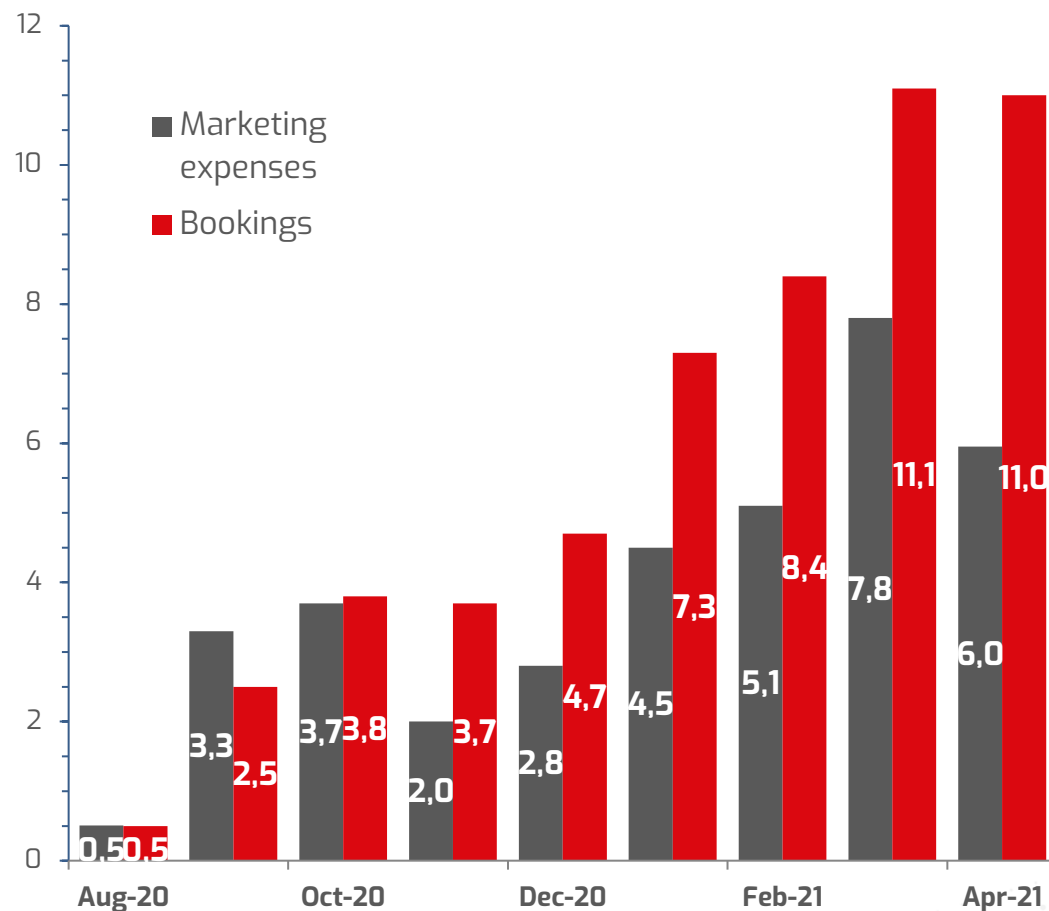


\* Average Bookings Per User

- **+55% bookings increase yoy in Q1 2021, qoq decrease of 15%**
- **Ongoing game development** – finished engine improvements, team refocusing on new features and live ops
- **Very strong, high quality cohort performance**

# HUNTING CLASH - SECOND LARGEST TITLE CONTRIBUTING TO PROFITS JUST 8 MONTHS AFTER GLOBAL LAUNCH

## Bookings and marketing expenses (M PLN)

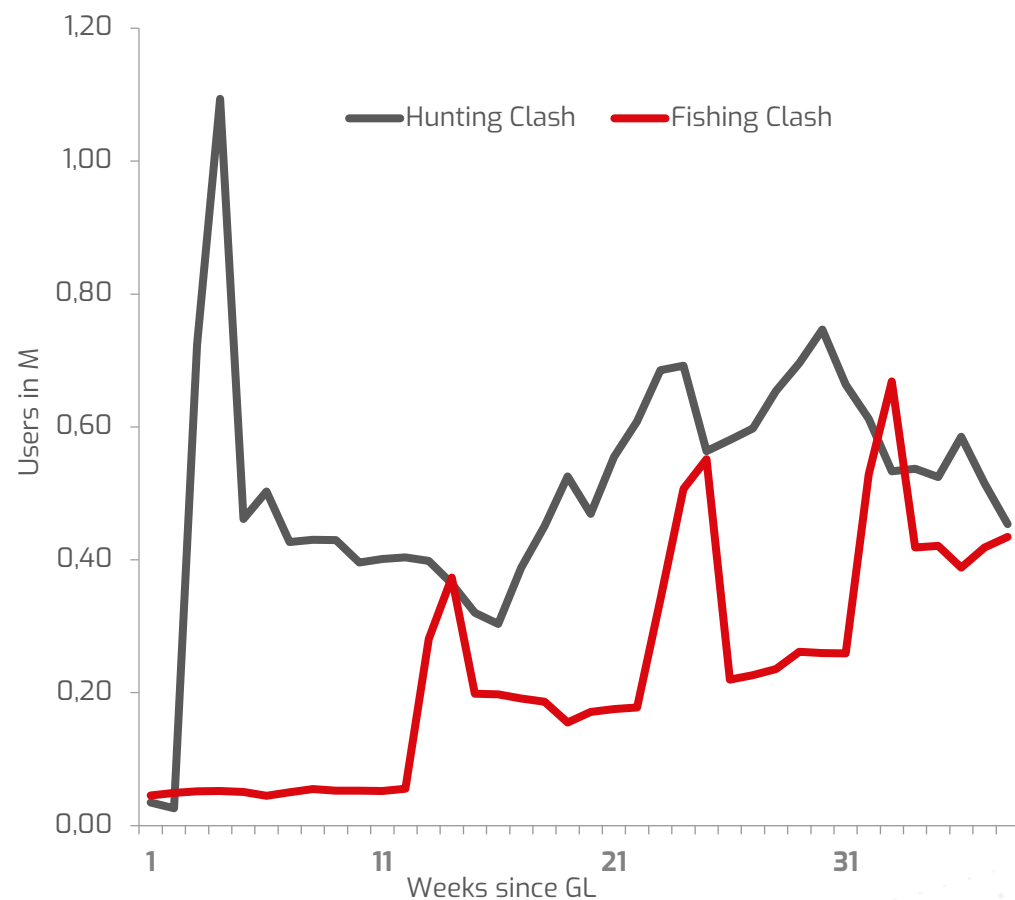


- **Dynamic growth of bookings** supported by significant marketing budgets in the first months after launch
- Marketing expenses lowered in April after initial push
- Game already **contributing to profit**

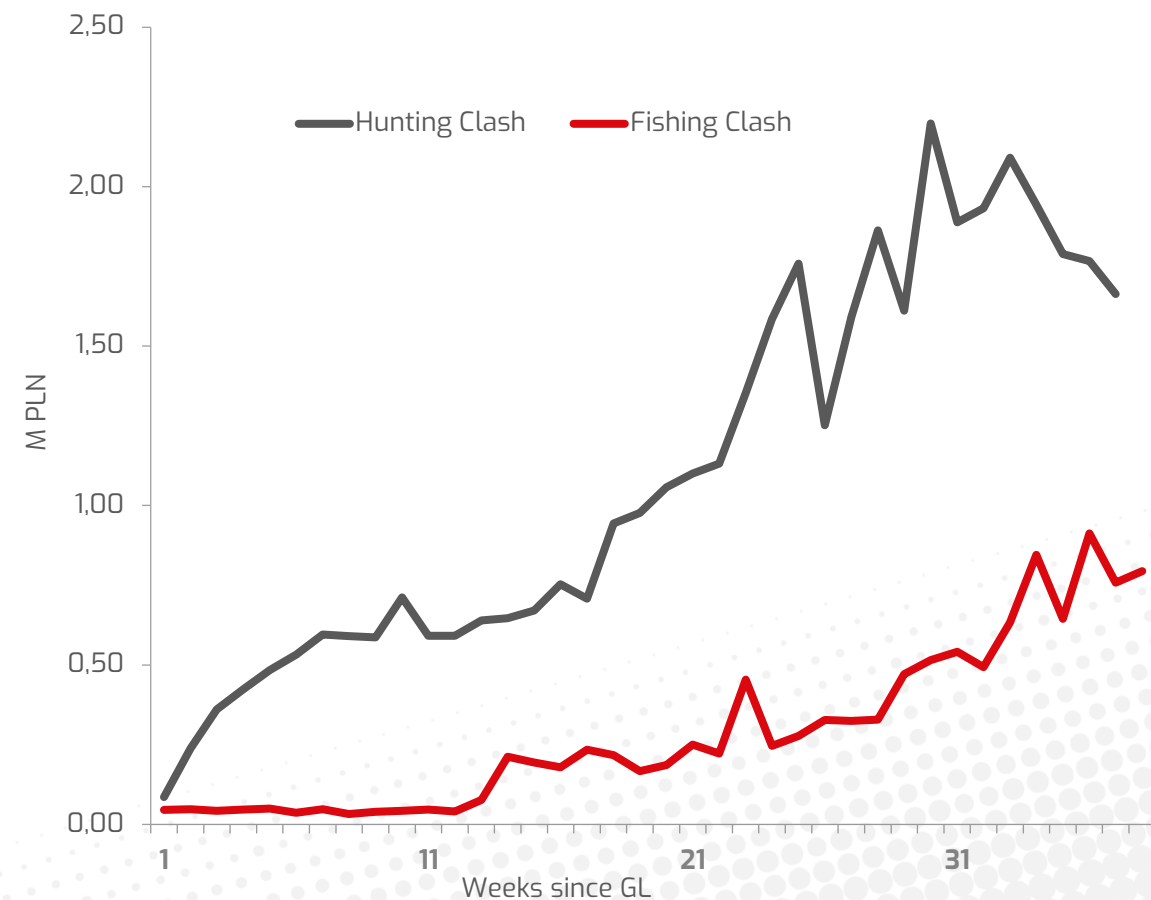


# HUNTING CLASH LIKE FOR LIKE PERFORMANCE VS FISHING CLASH AFTER LAUNCH

## WAU – first 9 months after global launch

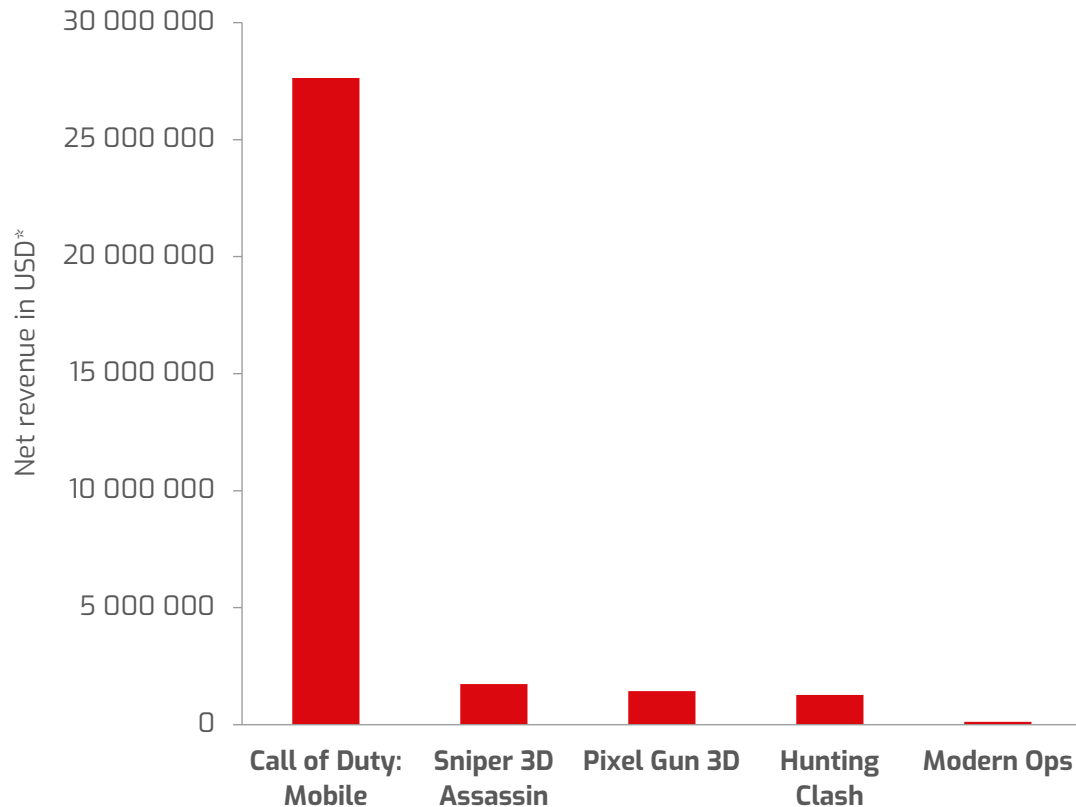


## Net bookings – first 9 months after global launch



# HUNTING CLASH – DEVELOPMENT PLAN

**Very strong start to build up on:  
HC among top FPS games in USA**

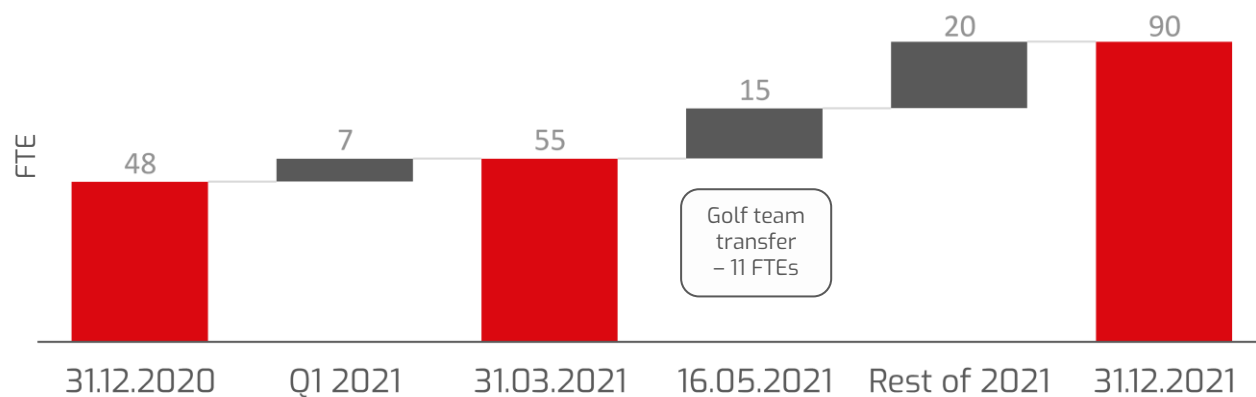


- **Number 4 grossing FPS in USA just 8 months after launch**
- **Current priorities:**
  - **Optimization** – live ops, UI, UX, matchmaking
  - **New features** – battle pass, content seasons, power ups, bank, new gameplay modes, ...

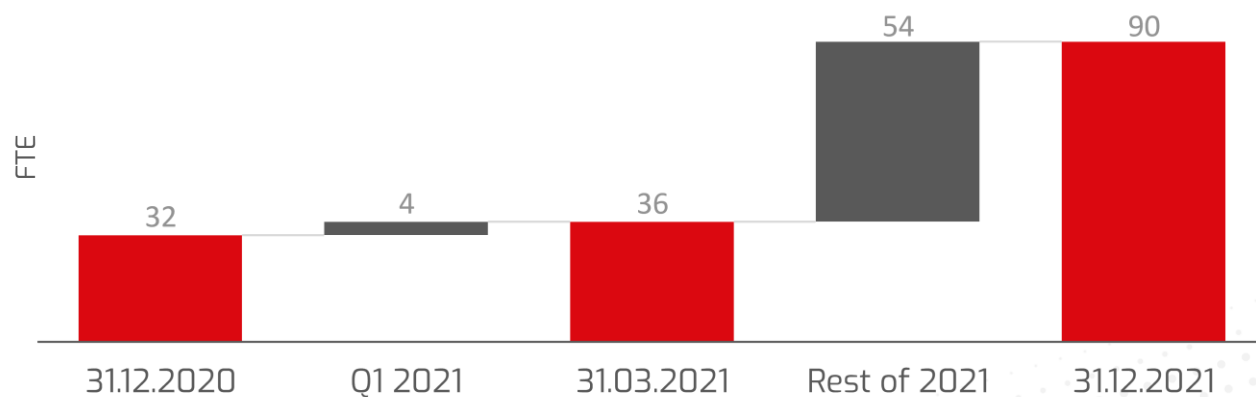
\* Source: App Annie, top grossing games in USA, genre: first person shooter

# FLAGSHIP GAMES GETTING READY FOR NEXT PHASE OF GROWTH

## Fishing Clash team growth



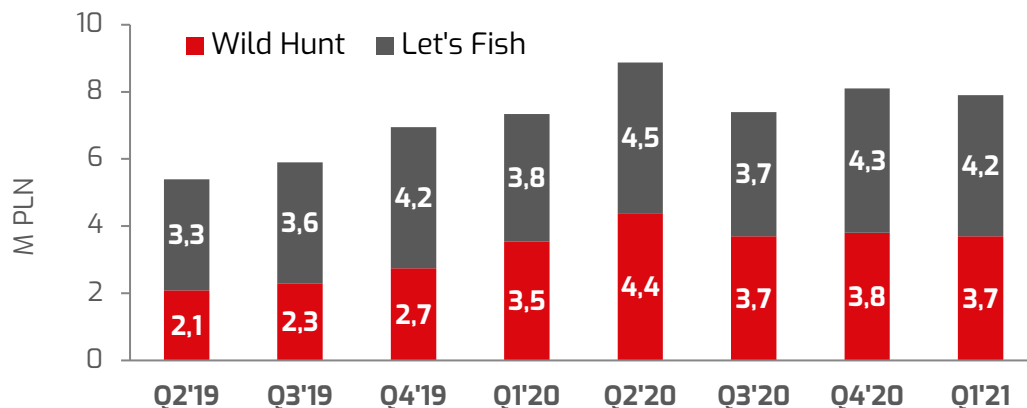
## Hunting Clash team growth



- **Significant growth of both Clash Teams**
- **Continuous focus on technical upgrades** (game performance optimization, processes and tools improvements)
- **Intense feature production and improvements** (e.g. season content creation, exploring implementation of ads)
- **12M+ growth roadmap for each game**

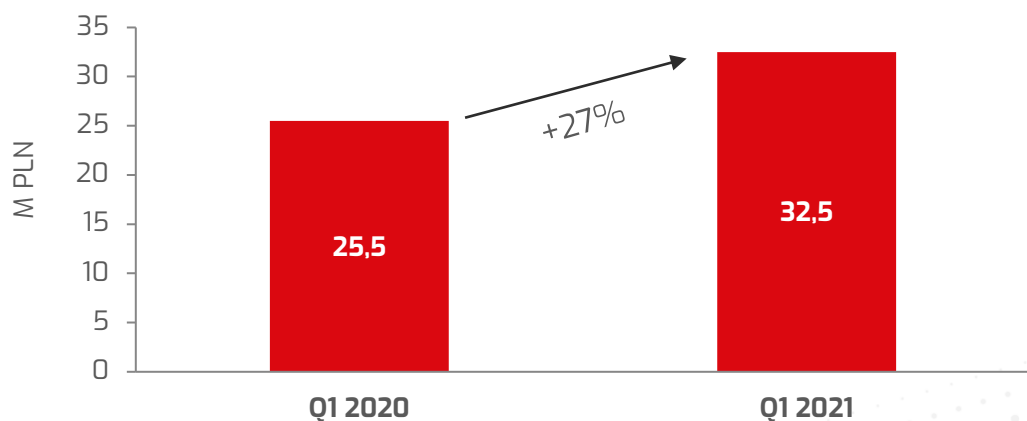
# WILD HUNT AND LET'S FISH – CONTINUED STABLE PERFORMANCE

## Bookings of Wild Hunt & Let's Fish (M PLN)



- Bookings for „legacy” portfolio near historical levels
- Constant delivery of new content, live ops
- Proof of ability to maintain long-term F2P portfolio
- Games keep improving KPIs with no marketing support

## LTM bookings combined Q1 2021/2020 (M PLN)

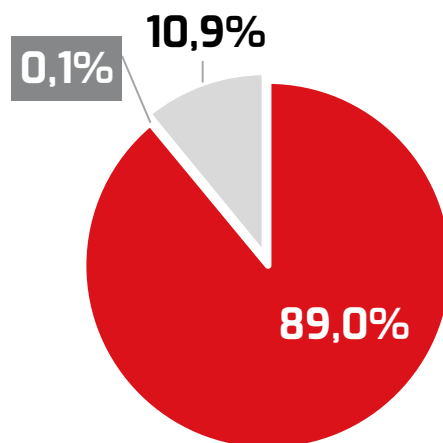




# GROWING PRODUCT DIVERSIFICATION

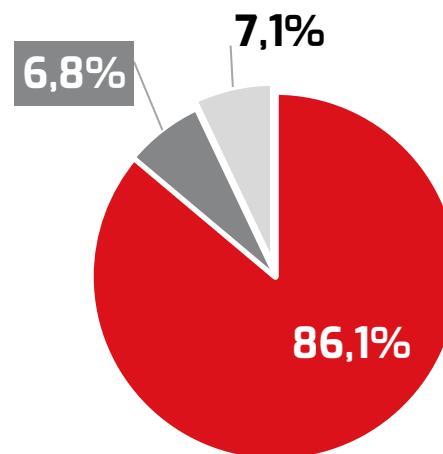
**Q1 2020**

Total bookings:  
PLN 95.1M



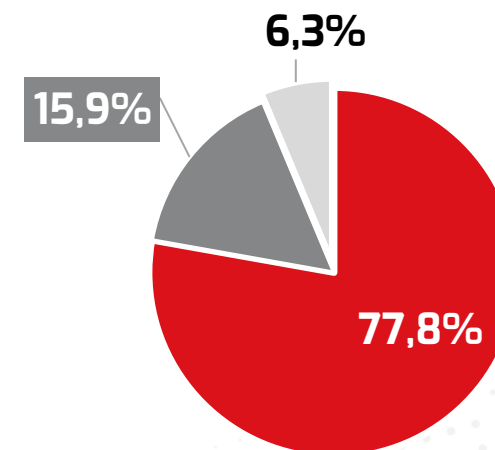
**Q4 2020**

Total bookings:  
PLN 180.4M



**Q1 2021**

Total bookings:  
PLN 169.2M



■ Fishing clash %

■ Hunting clash %

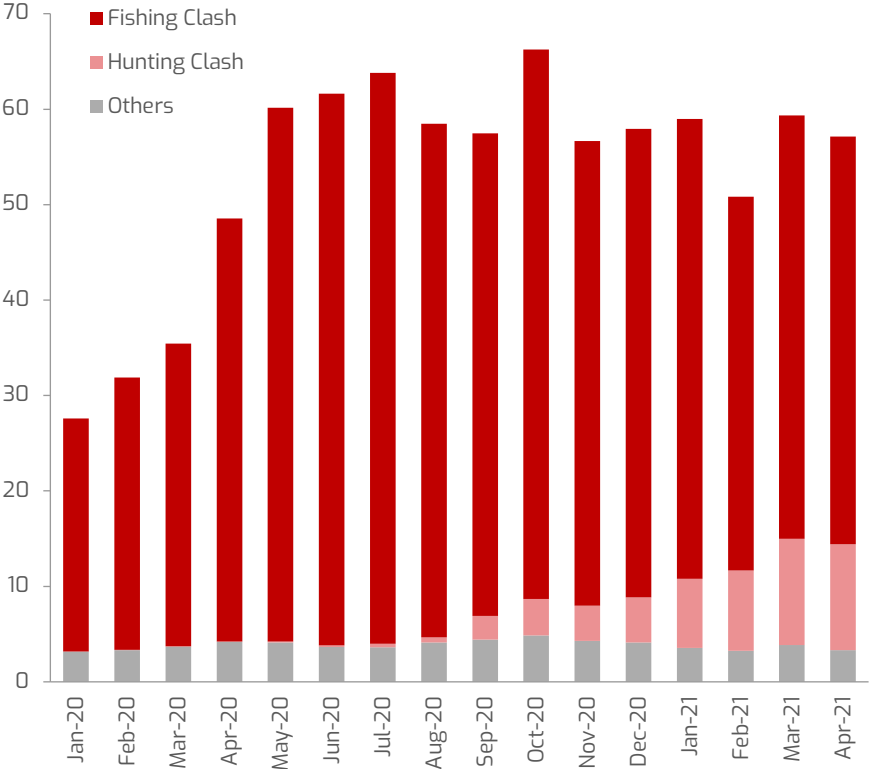
■ Others %

# FINANCIAL RESULTS

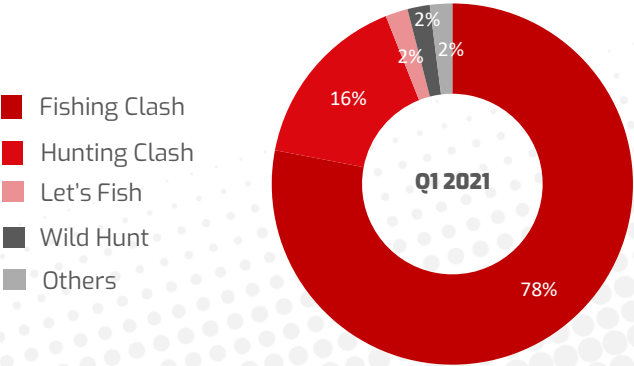
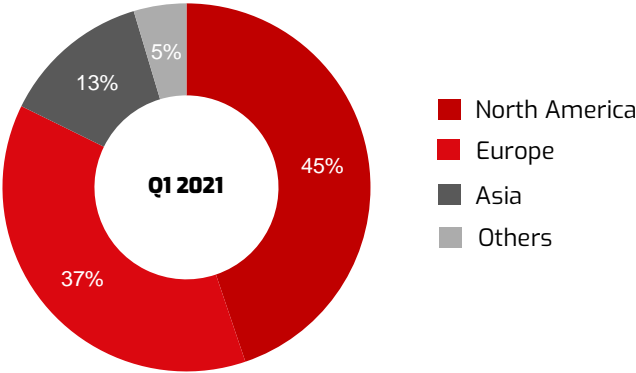


# BOOKINGS BREAKDOWN AND DYNAMICS

Bookings (M PLN)

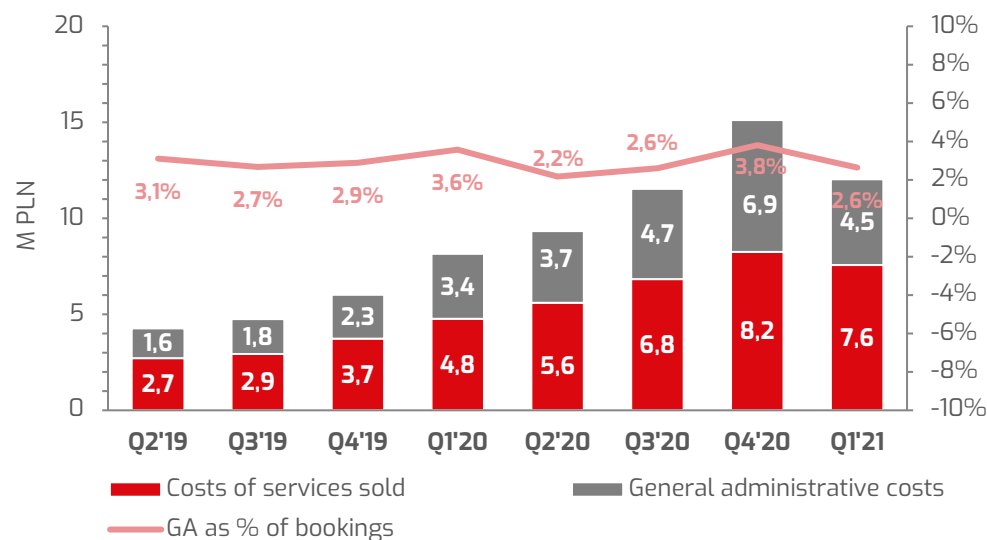


Bookings breakdown – geographies and products

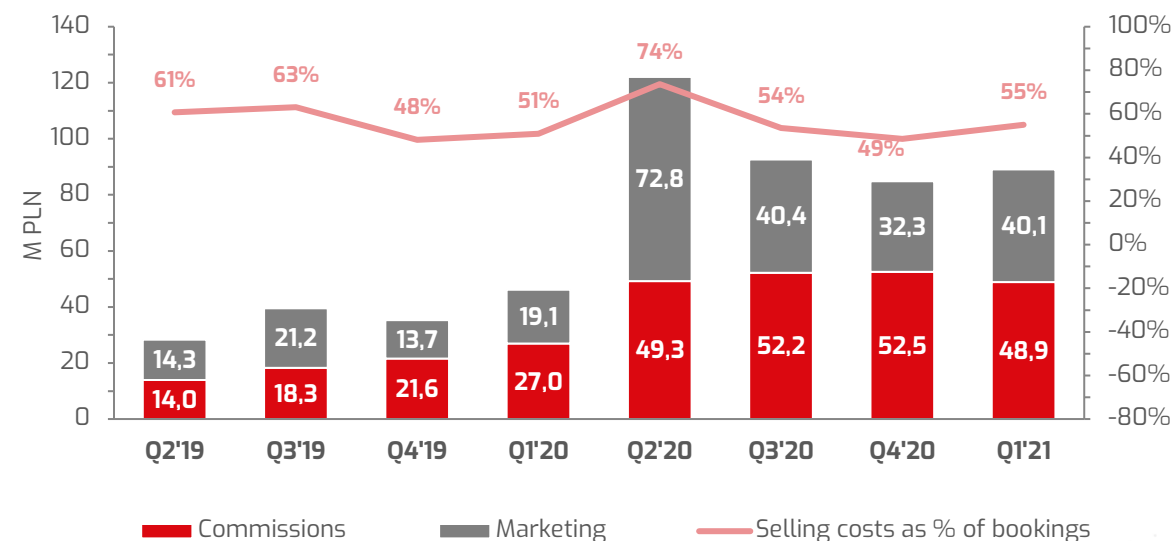


# OPERATING EXPENSES UNDER CONTROL

## Operating expenses excluding selling costs\*



## Selling costs\*

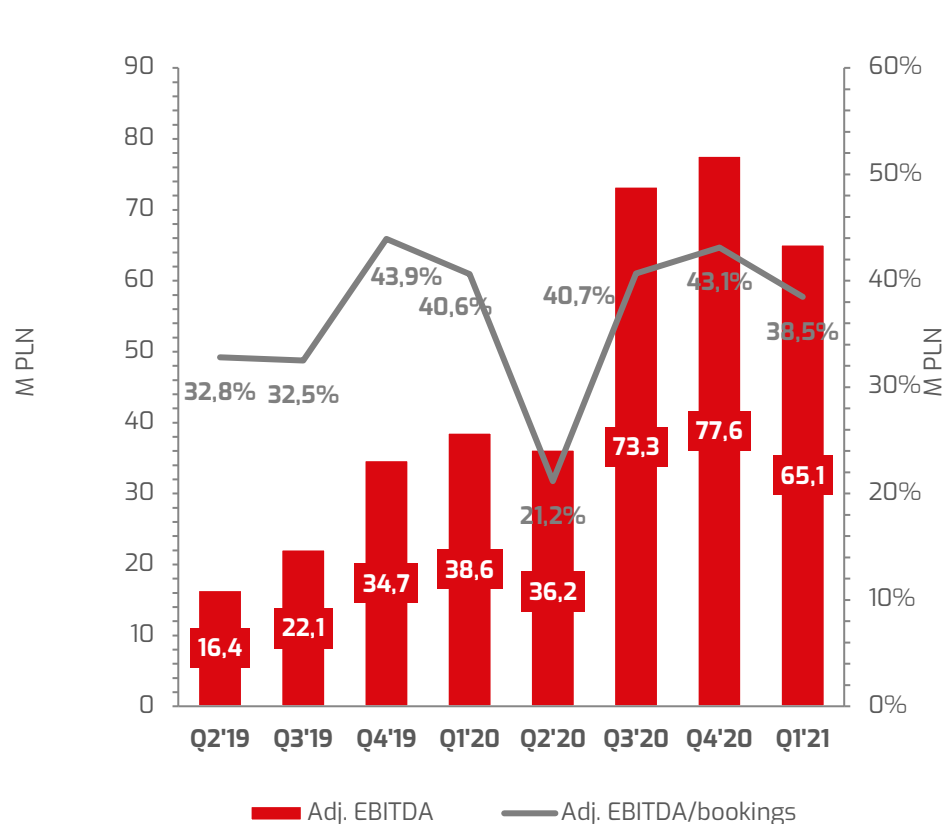


- Increase in operating expenses due to gradual increase in employment – investment in continued growth
- Costs of services sold rise as game teams are strengthened
- Gradual growth qoq in marketing budgets after seasonal reduction in Q4

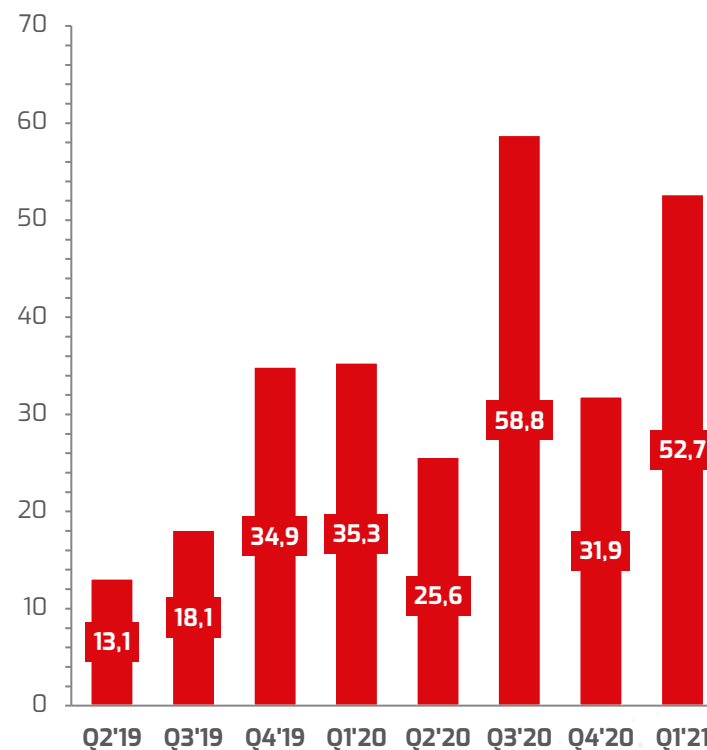
\* Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup (slides 36-38)

# STANDARDIZED OPERATING RESULTS\*

## Adjusted EBITDA\*



## Net profit IFRS

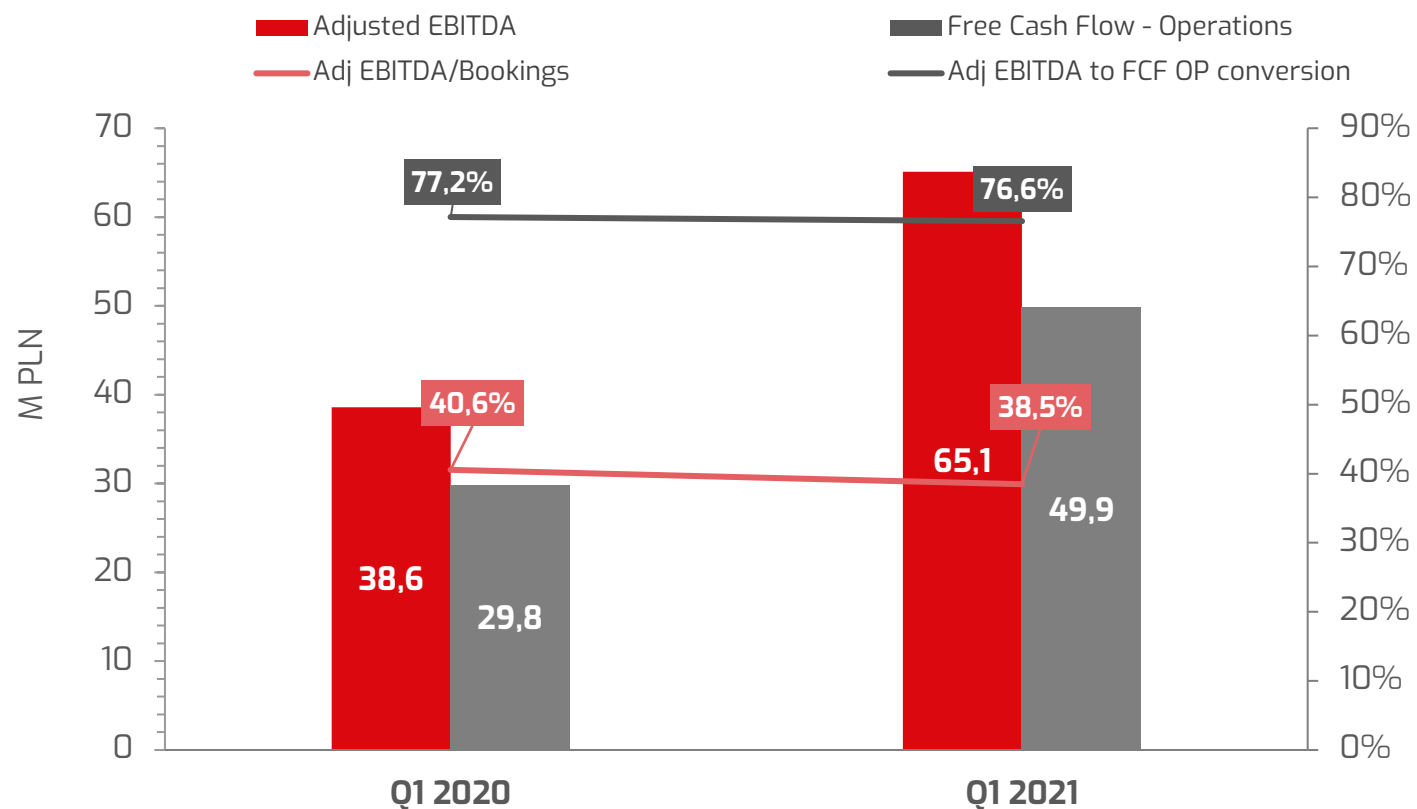


- Adjusted EBITDA\* up by 71% yoy
- Net profit up by 49% yoy
- Q4 2020 net profit affected by first time revenue deferral adjustment in Fishing Clash

\* Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup (slides 36-38)

# HIGH PROFITABILITY AND CASH GENERATION

## Profitability and Cash Flow KPIs

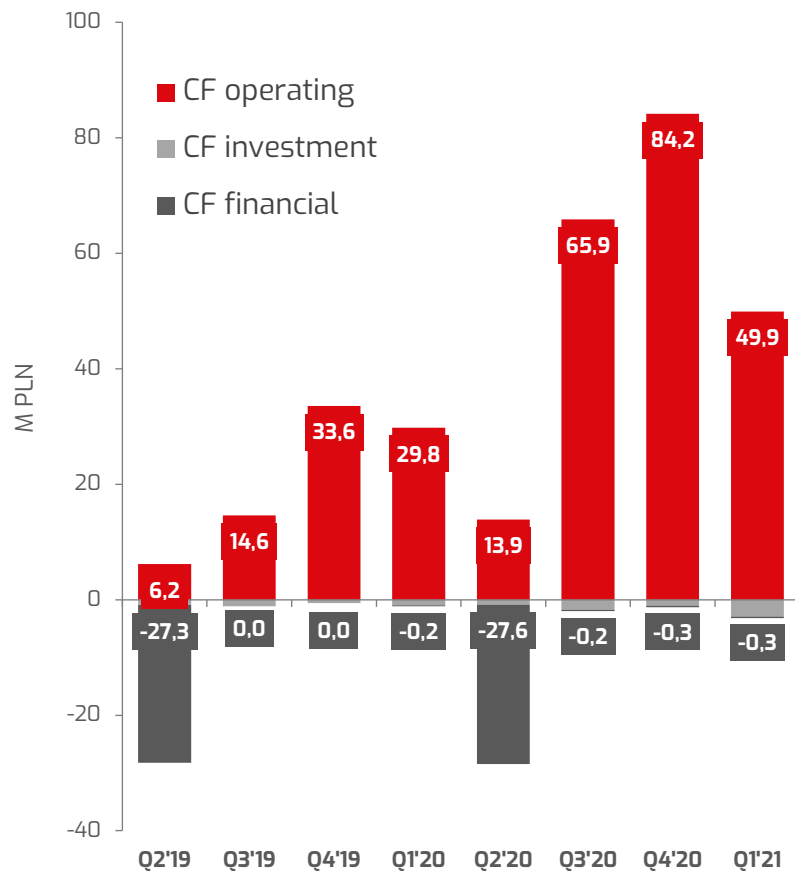


- **Stable profitability** and free cash flow generation
- **Adjusted EBITDA\* to Bookings** close to 40%
- **Adjusted EBITDA conversion to free cash flow from operations above 75%**

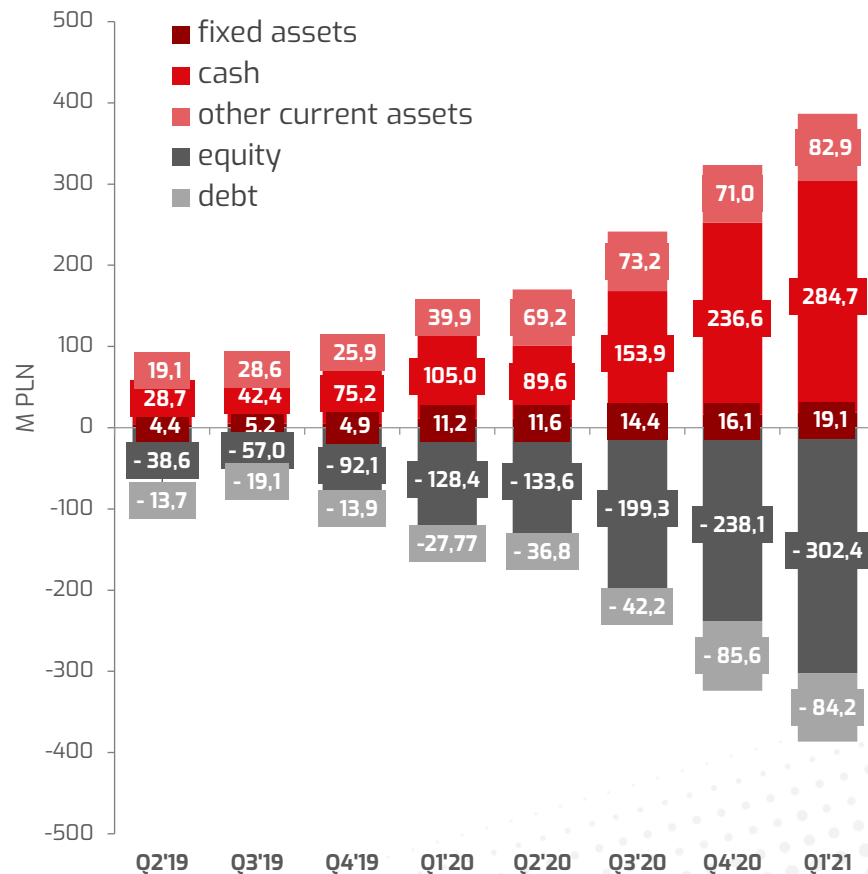
\* Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup (slides 36-38)

# QUICK BUILD UP OF CASH FOR INVESTMENT IN GROWTH

## Cash flow (M PLN)



## Balance sheet (M PLN)



- **Operating cash flows up by 67% yoy**
- **Excellent balance sheet structure** – almost 3/4 of total assets is cash
- A dividend of PLN 27M was paid in Q2 2020 and Q2 2019 each



# 2021-2022 MOTIVATION SCHEME OVERVIEW

## Key parameters

- **KPI:** Adjusted EBITDA\* 2021: PLN 248.8M, 2022: PLN 251.3M (consolidated)
- **Max number of new shares:** 100 000
- **Share subscription price:** PLN 0.10
- **Total dilution max:** 1.37% (over two years)
- **Lockup:** January 2024 and 2025, respectively
- **Number of employees in the program:** 69



\*Adjusted EBITDA reconciliation as on slide 37

# ANNUAL GENERAL MEETING – MANAGEMENT BOARD PROPOSALS\*

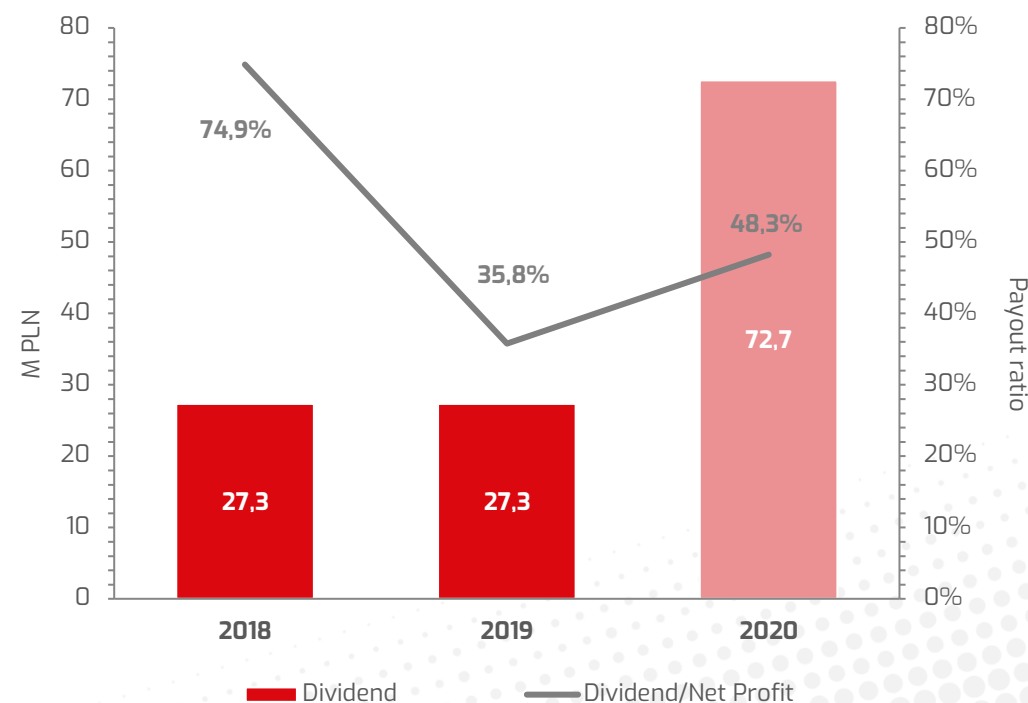
## Dividend proposal

- **Dividend payment:** PLN 72 673 110
- **Dividend per share:** PLN 10
- **Payout ratio:** 48.3%
- **Dividend day:** July 5<sup>th</sup>, 2021

## Share buyback option

- **Amount of shares:** up to 670 000
- **Max percentage of total shares:** 9.22%
- **Price:** from PLN 200 to PLN 600
- **Time:** 12 months since AGM

## Dividend history since IPO\*\*



\* Proposals of the Management Board, as accepted by the Supervisory Board, are due to be voted on the Annual General Meeting

\*\* Dividend for 2020 as proposed by the Management Board

# Q1 2021 SUMMARY



**Investment in Fishing Clash and Hunting Clash production capacity**



**Technical launch of a new game – Football Elite, ongoing work on other projects**



**Further strengthening of the organization on all levels**

# STRATEGIC OVERVIEW



# INVESTMENT IN PRODUCTION CAPACITY

	Dec 2019	Dec 2020	Dec 2021
Game Development	142	202	
Spokes	0	10	60
Game Support	12	31	
Business Intelligence	7	14	
Growth	17	26	
Back-office	37	45	
TOTAL	215	318	500+

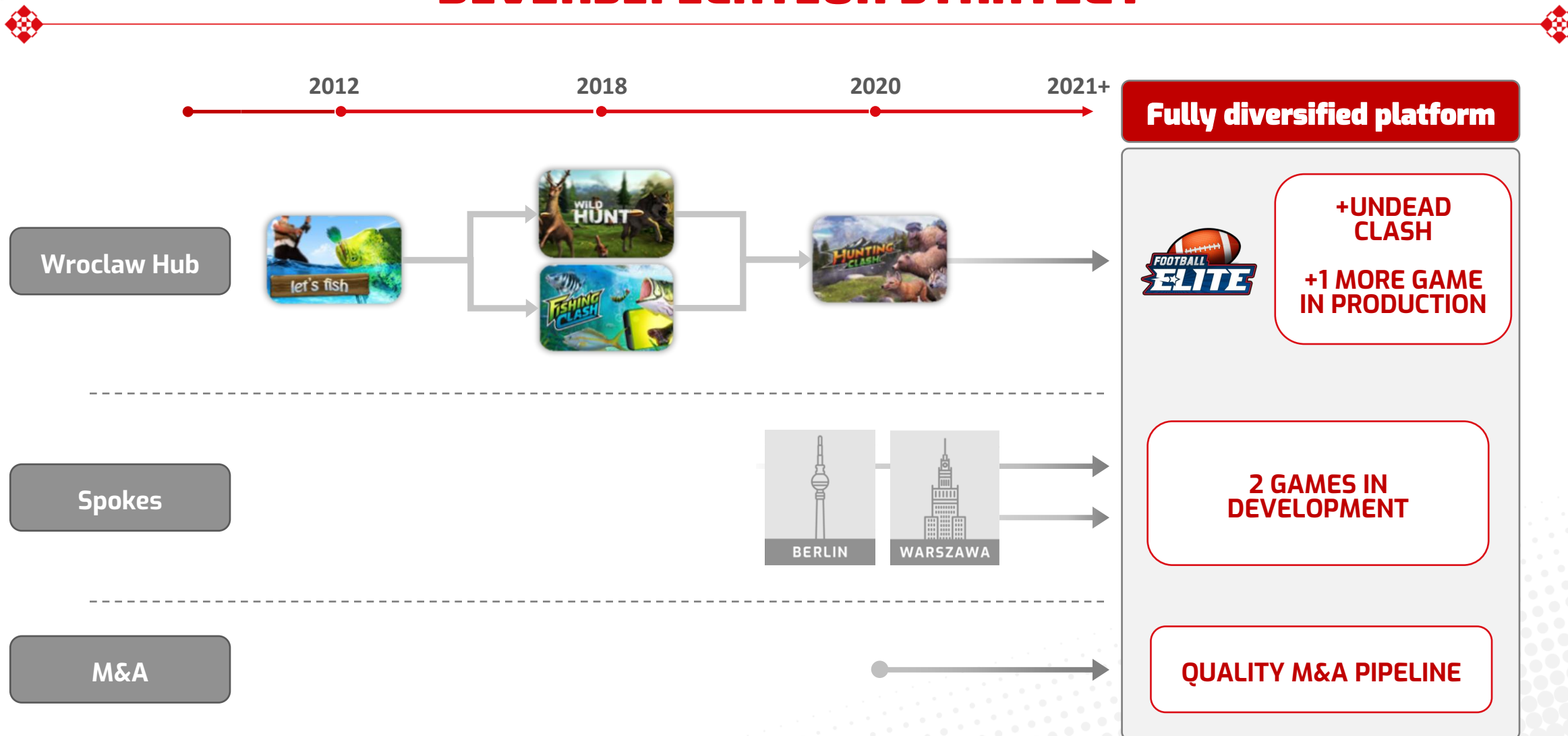
# NEW GAMES IN PRODUCTION

Game	Status	Description	Soft launch*
Undead Clash	Production accelerating	<ul style="list-style-type: none"> <li>• Zombie shooter with „clash“ metagame</li> </ul>	<ul style="list-style-type: none"> <li>• 2021/2022</li> </ul>
 	Technical launch	<ul style="list-style-type: none"> <li>• Social based competitive game</li> </ul>	<ul style="list-style-type: none"> <li>• 2021</li> </ul>
Project 'Verne'	Early production	<ul style="list-style-type: none"> <li>• Simulation with „clash“ metagame</li> </ul>	<ul style="list-style-type: none"> <li>• 2021/2022</li> </ul>
Project 'Tokyo'	Production	<ul style="list-style-type: none"> <li>• Hybrid game, strong social element</li> </ul>	<ul style="list-style-type: none"> <li>• 2021</li> </ul>
Project 'Osaka'	Pre-production	<ul style="list-style-type: none"> <li>• Hybrid game, strong social element</li> </ul>	<ul style="list-style-type: none"> <li>• 2022</li> </ul>

\*Dates subject to change



# DIVERSIFICATION STRATEGY





# INVESTOR'S CALENDAR

- **Erste CEE Innovation Conference (virtual)** – 26.05.2021
- **GPW Innovation Day (virtual)** – 22-24.06.2021
- **Q2 2021 Sales update** – early July 2021
- **H1 2021 Financial report** – August 23<sup>rd</sup>, 2021 (video conference on August 24<sup>th</sup>)

# Q&A SESSION





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# THANK YOU!

IR contact

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# BACKUP



# PROFIT AND LOSS REPORT

Selected items of P&L in k PLN	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21
<b>Revenues from sales</b>	<b>115 258</b>	<b>241 133</b>	<b>95 018</b>	<b>169 622</b>	<b>179 258</b>	<b>134 296</b>	<b>578 195</b>	<b>174 114</b>
Fishing Clash	88 763	206 501	84 678	158 044	164 256	155 357	562 335	131 659
Let's Fish	16 453	15 214	3 869	4 551	3 708	4 349	16 478	4 208
Wild Hunt	4 880	9 626	3 543	4 375	3 708	3 769	15 395	3 666
Hunting Clash	-	-	65	347	3 361	12 303	16 077	26 841
Others	6 381	10 575	2 833	3 346	4 798	5 060	15 625	2 822
Deferred revenues	-1 221	-783	96	-694	-575	-46 541	-47 714	4 918
<b>COGS</b>	<b>7 382</b>	<b>11 354</b>	<b>4 756</b>	<b>5 605</b>	<b>6 837</b>	<b>8 239</b>	<b>25 438</b>	<b>10 567</b>
<b>Gross profit on sales</b>	<b>107 876</b>	<b>229 779</b>	<b>90 261</b>	<b>164 017</b>	<b>172 421</b>	<b>126 057</b>	<b>552 756</b>	<b>163 547</b>
GPS margin	94%	95%	95%	97%	96%	94%	96%	94%
Selling costs	58 635	137 154	48 545	124 795	95 253	74 976	343 569	95 935
As % of revenues	51%	57%	51%	73%	53%	56%	59%	55%
General and administrative costs	4 246	7 084	3 404	9 722	10 692	12 870	36 689	11 758
<b>EBIT</b>	<b>44 315</b>	<b>84 577</b>	<b>37 555</b>	<b>29 422</b>	<b>66 475</b>	<b>38 322</b>	<b>171 774</b>	<b>55 919</b>
<b>EBITDA</b>	<b>45 012</b>	<b>85 728</b>	<b>38 249</b>	<b>30 159</b>	<b>67 256</b>	<b>39 195</b>	<b>174 860</b>	<b>56 861</b>
EBITDA margin	39%	36%	40%	18%	37%	29%	30%	33%
<b>Net profit</b>	<b>36 469</b>	<b>76 386</b>	<b>35 341</b>	<b>25 622</b>	<b>58 770</b>	<b>31 865</b>	<b>151 599</b>	<b>52 682</b>
Net profit margin	32%	32%	37%	15%	33%	24%	26%	30%
<b>EBITDA Adjusted</b>			<b>38 183</b>	<b>36 735</b>	<b>73 832</b>	<b>77 610</b>	<b>226 360</b>	<b>65 124</b>
<b>Team size</b>	139	215	231	275	310	318	318	340

# BALANCE SHEET

Selected positions in k PLN

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
<b>ASSETS</b>									
<b>Fixed assets</b>	<b>3 733</b>	<b>4 433</b>	<b>5 176</b>	<b>4 936</b>	<b>11 215</b>	<b>11 604</b>	<b>14 395</b>	<b>16 101</b>	<b>19 091</b>
Trade receivables	16 249	15 652	24 012	20 737	34 447	58 723	57 205	47 589	57 331
Cash and cash equivalents	50 890	28 745	42 376	75 230	105 044	89 587	153 912	236 608	284 687
<b>Current assets</b>	<b>70 399</b>	<b>47 861</b>	<b>71 021</b>	<b>101 109</b>	<b>144 958</b>	<b>158 751</b>	<b>227 103</b>	<b>307 583</b>	<b>367 559</b>
<b>Total assets</b>	<b>74 132</b>	<b>52 293</b>	<b>76 197</b>	<b>106 045</b>	<b>156 173</b>	<b>170 355</b>	<b>241 497</b>	<b>323 684</b>	<b>386 649</b>
<b>EQUITY AND LIABILITIES</b>									
<b>Equity</b>	<b>52 538</b>	<b>38 584</b>	<b>57 037</b>	<b>92 144</b>	<b>128 394</b>	<b>133 578</b>	<b>199 277</b>	<b>238 051</b>	<b>302 419</b>
Leasing liabilities	0	0	0	0	5 511	5 252	7 296	6 994	6 588
<b>Total long term liabilities</b>	<b>500</b>	<b>587</b>	<b>751</b>	<b>537</b>	<b>6 323</b>	<b>5 867</b>	<b>8 141</b>	<b>7 437</b>	<b>7 366</b>
Trade payables	9 949	7 196	8 570	4 633	10 063	23 285	20 941	12 392	21 976
<b>Total short term liabilities</b>	<b>21 093</b>	<b>13 122</b>	<b>18 409</b>	<b>13 363</b>	<b>21 455</b>	<b>30 909</b>	<b>34 079</b>	<b>78 196</b>	<b>76 864</b>
<b>Total liabilities</b>	<b>21 594</b>	<b>13 710</b>	<b>19 160</b>	<b>13 900</b>	<b>27 778</b>	<b>36 777</b>	<b>42 220</b>	<b>85 633</b>	<b>84 231</b>
<b>Total equity and liabilities</b>	<b>74 132</b>	<b>52 293</b>	<b>76 197</b>	<b>106 045</b>	<b>156 173</b>	<b>170 355</b>	<b>241 497</b>	<b>323 684</b>	<b>386 649</b>

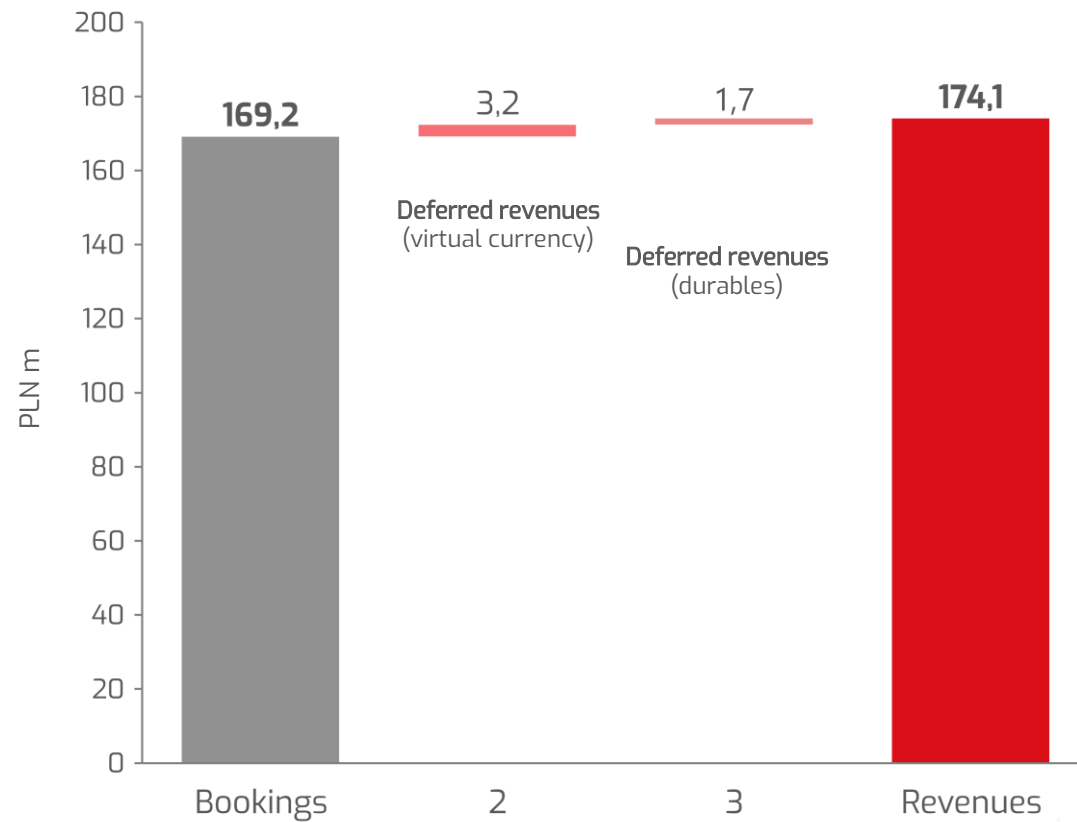
# CASH FLOW REPORT

Selected positions in k PLN	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
<b>OPERATING ACTIVITIES</b>									
Profit before tax	12 674	15 944	22 316	33 691	39 192	28 814	65 849	37 091	58 432
Total adjustments	-299	-1 589	-7 197	671	-7 735	-6 675	2 219	49 366	5 172
Amortisation	186	270	320	374	694	737	782	873	941
Cash from operations	12 375	14 356	15 119	34 362	31 457	22 139	68 068	86 457	63 604
Income tax paid	-370	-8 124	-541	-738	-1 673	-8 230	-2 209	-2 296	-13 733
Net cash flows from operating activities	12 005	6 232	14 579	33 623	29 784	13 909	65 859	84 161	49 871
<b>INVESTMENT ACTIVITIES</b>									
Inflows	0	0	0	0	0	20	60	0	0
Outflows	-1 002	-890	-1 097	-554	-960	-868	-1815	-1 035	-2 909
Net cash flows from investing activities	-1 002	-890	-1 097	-554	960	848	-1 755	-1 035	-2 909
<b>FINANCIAL ACTIVITIES</b>									
Inflows	0	0	2	0	0	0	0	3	0
Outflows	0	-27 311	0	0	-194	-27 568	-209	-274	-274
Dividends	0	-27 311	0	0	0	-27 371	0	0	0
Net cash flows from financing activities	0	-27 311	2	0	-174	-27 588	-209	-271	-274
Net cash flows total	11 003	-21 968	13 483	33 069	28 650	-14 526	63 894	82 855	46 688

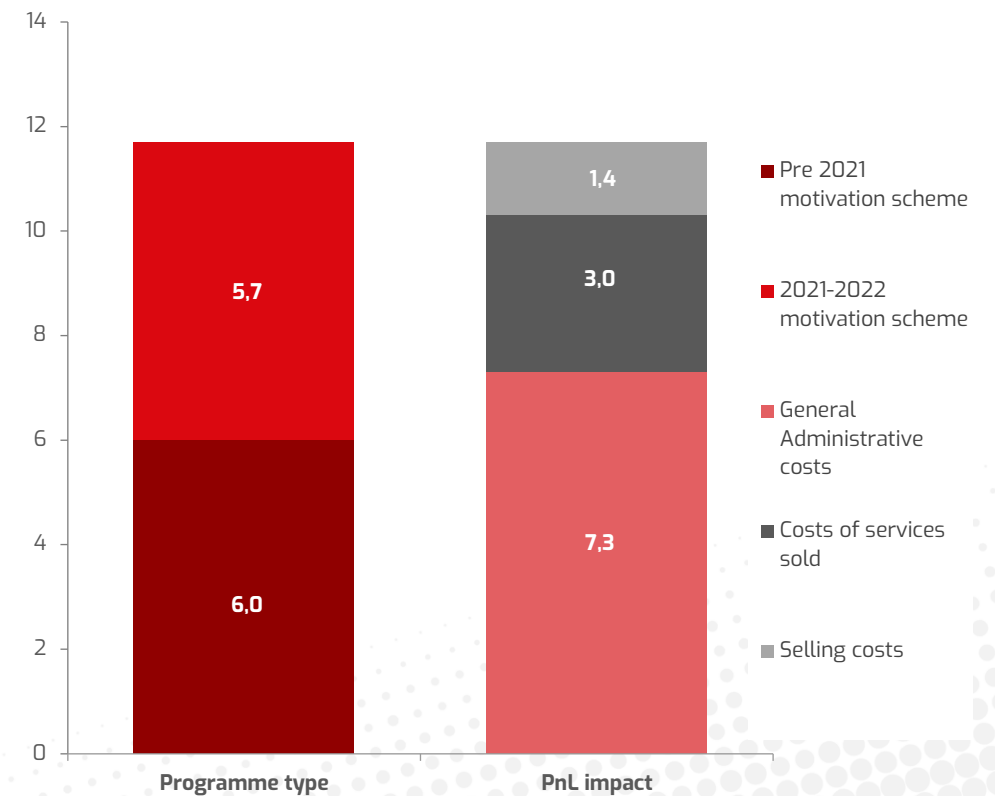


# RESULTS RECONCILIATION

## Q1 2021 bookings to IFRS revenues (PLN m)



## Q1 2021 motivation scheme non cash costs (PLN m)

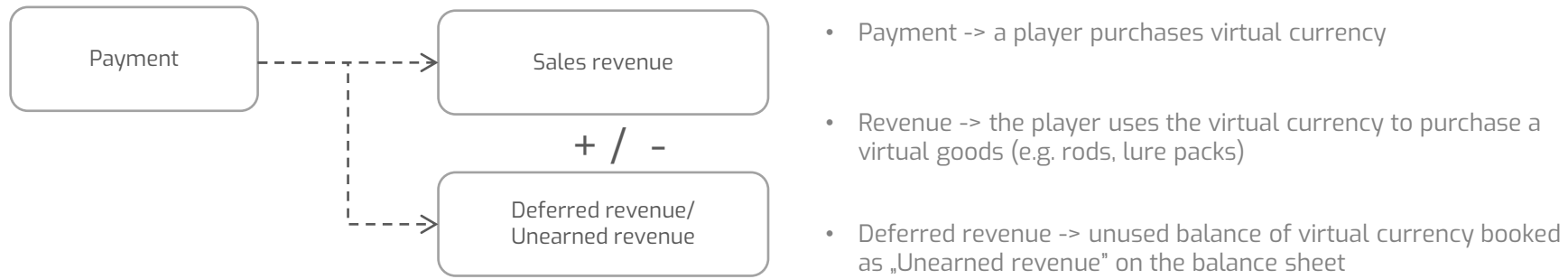


# METHOD OF DETERMINING ADJUSTED EBITDA

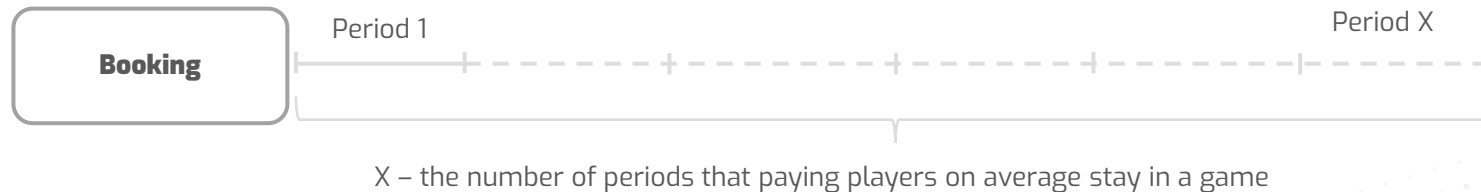
Selected items of the Profit and Loss Statement in thousand PLN	Results Q1 2021
<b>Operating profit IFRS</b>	<b>55 919</b>
Amortisation	941
<b>EBITDA IFRS</b>	<b>56 861</b>
<b>Corrections:</b>	
Non-cash impact of the incentive programs	+11 694
Deferred revenues (unused virtual currency and durables)	-4 918
Deferred costs (unused virtual currency and durables)	+1 487
<b>Adjusted EBITDA</b>	<b>65 124</b>

# ACCOUNTING PRINCIPLES FOR REVENUES – IFRS 15

## Virtual currency



## „Durable”



Period 1 – user makes a payment for a durable good in a game (e.g., a fishing rod) - a cash flow is generated. The revenue for the period is the value of the payment divided by X; the remaining value of the payment is booked as deferred revenue.

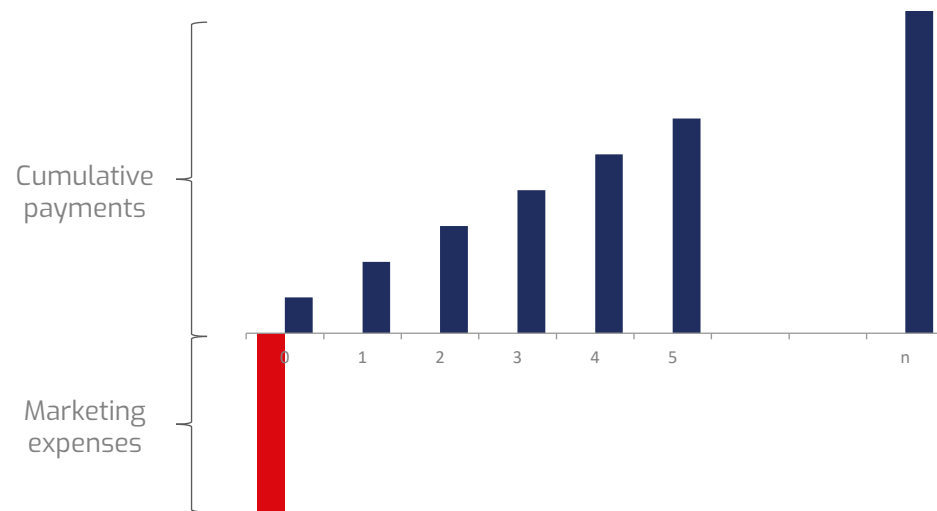
Periods from 2 to X – in each period the same value (equal to revenue recognized in period 1) is reclassified from deferred revenue to current period revenue.

# 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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