



ten square_games

Q2 2021 RESULTS

August 24th, 2021



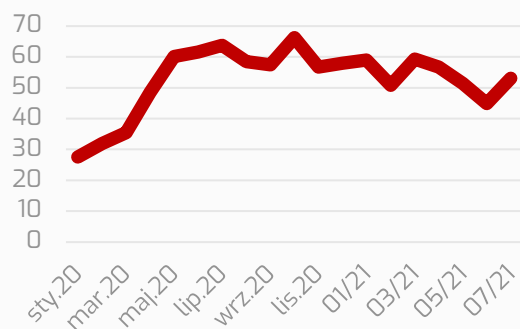
Q2 2021 HIGHLIGHTS



Q2 2021 HIGHLIGHTS

Post-lockdown performance

Bookings monthly (PLN M)



Performance in line with expectations with exception of June, rebound in July

Fishing Clash in China



Strong early days performance

RORTOS acquisition



Strengthening TSG position in the simulation genre; early performance in line with our expectations

FISHING CLASH ENTERING CHINA

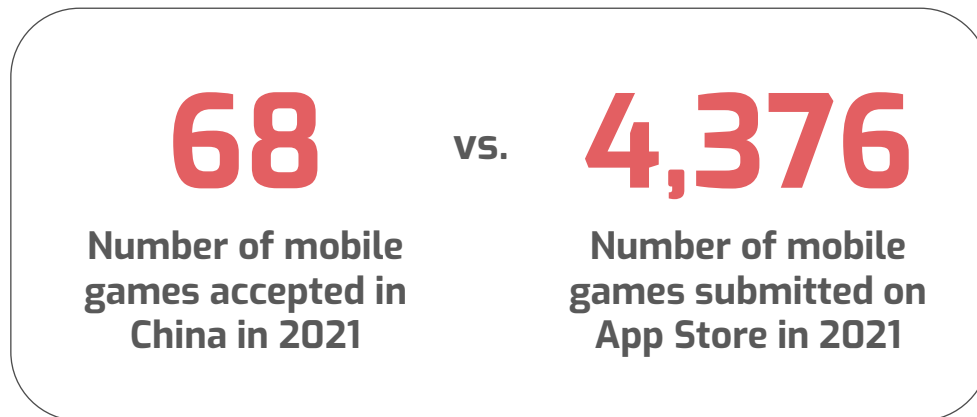
The Journey of Fishing Clash to China



Great market potential



Rigorous China



NetEase blue-ribbon portfolio



RORTOS – INTEGRATION PROGRESS ON TRACK

Key tasks completed

- Integration plan completed, in execution
- Airline Commander **product development roadmap** prepared
- First TSG **business intelligence and marketing tools implemented** in Rortos Games
- Wrocław Airline Commander team in the proces of setting up

Key next steps - 180 days plan

- Full set-up of **analytics toolset**
- In-depth **analysis** of Rortos **game data**
- Development of **user acquisition** strategy and its execution
- Integration of **customer support** and **game localization**
- **Further development and maintenance of Airline Commander** by Wrocław Team



RORTOS 

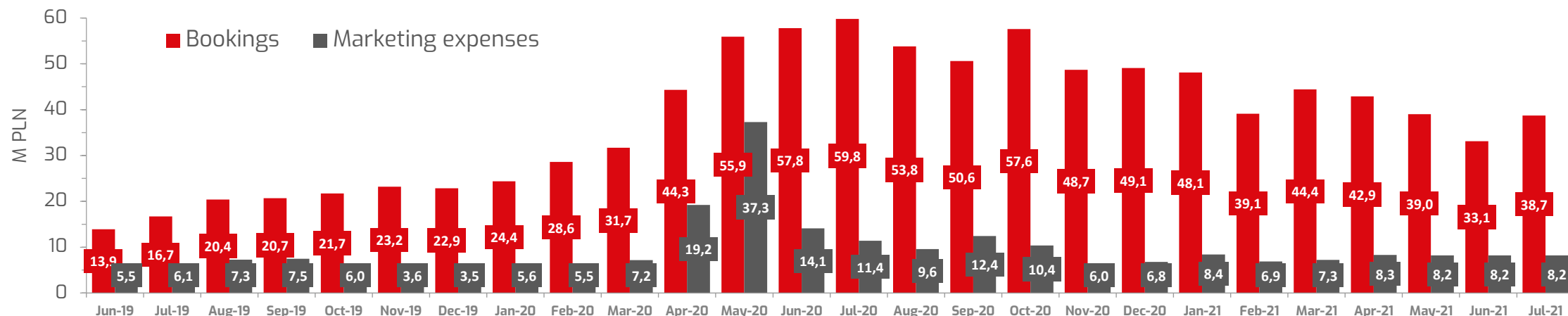


PORTFOLIO PERFORMANCE

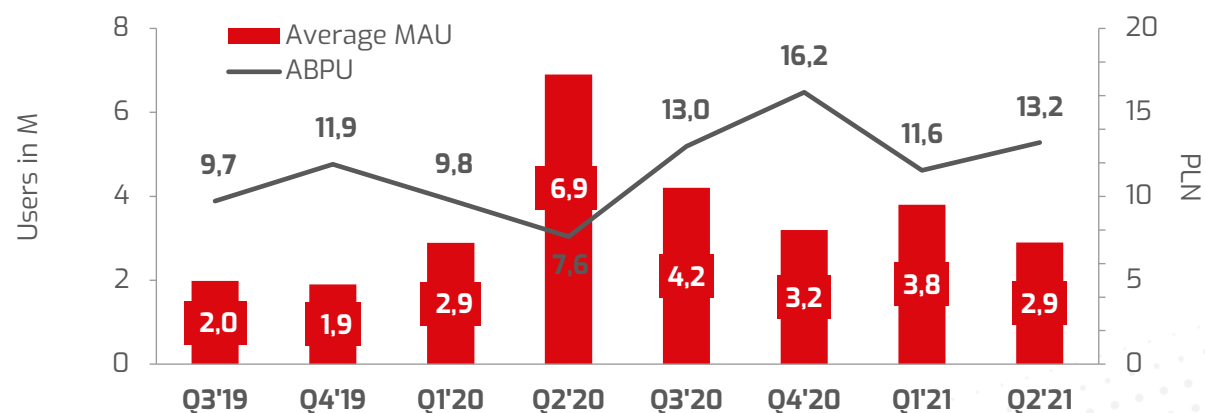


FISHING CLASH PERFORMANCE

Bookings and marketing expenses (M PLN)



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

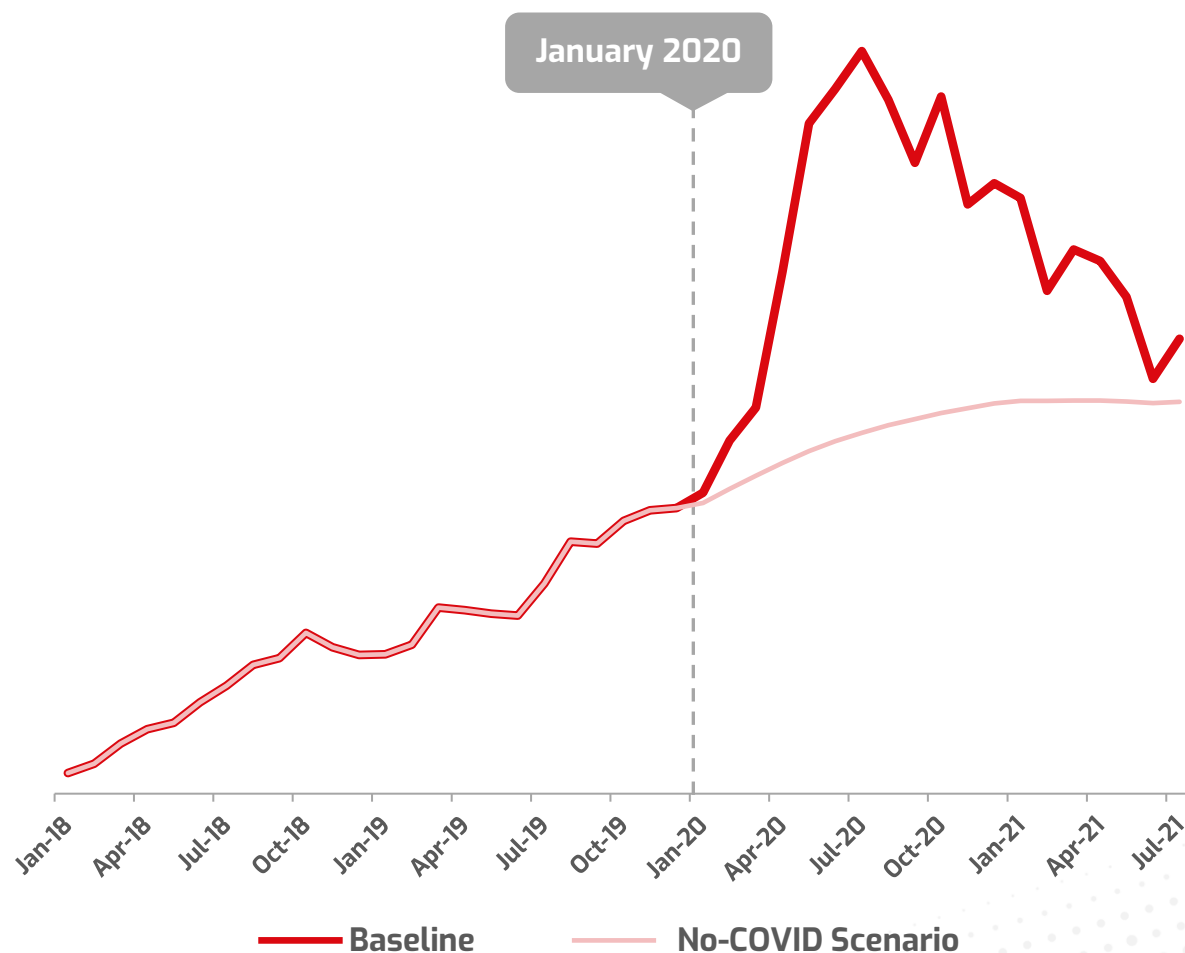


* Average Bookings Per User

- **-27% bookings decrease yoy in Q2 2021**, qoq decrease of 13%
- **Ongoing game development** – team refocusing on new features and live ops, **rebound in bookings in July**
- Very strong, high quality cohort performance

FISHING CLASH AFTER COVID-19 IMPACT

Bookings trajectory



Factors currently affecting performance

POSITIVE

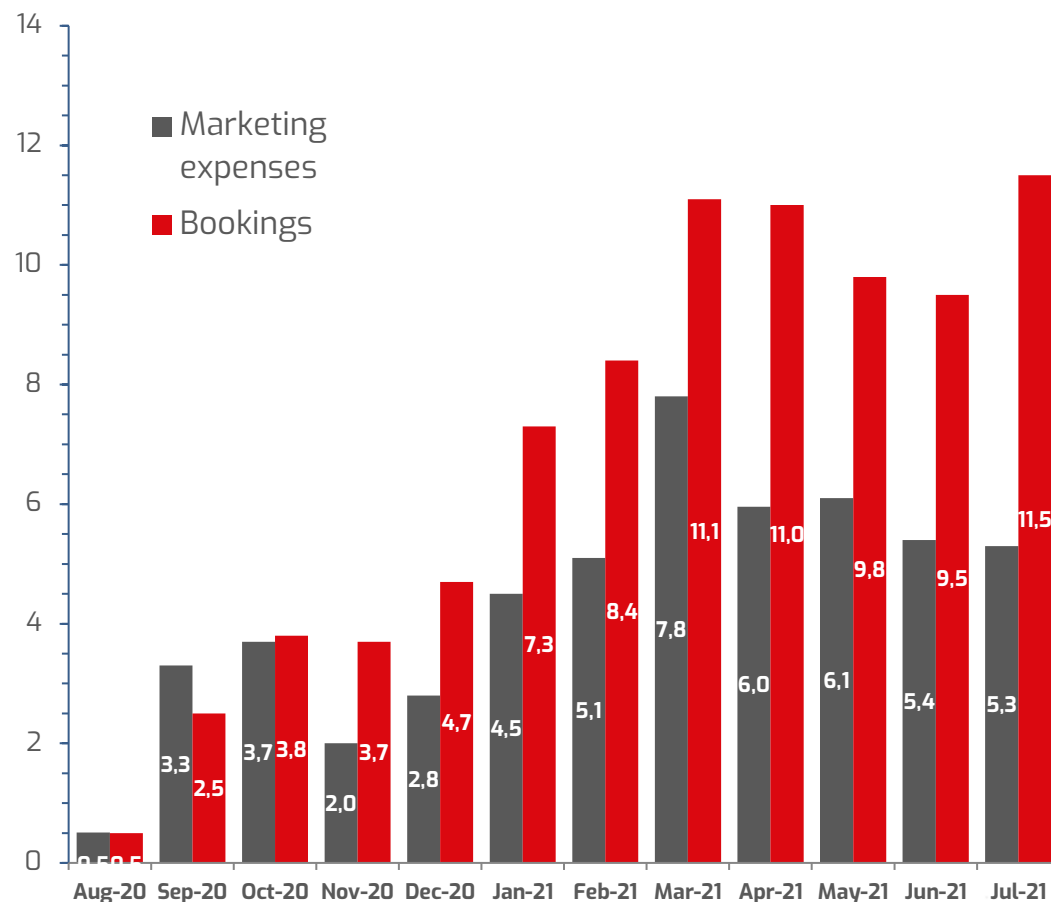
- Improving technical performance of the game
- Back to new features and content development (strong roadmap)
- Team strengthening – more possibilities
- Elevated player base

NEGATIVE

- Disengagement of players after COVID/ summer time (general trend in the industry)
- iOS 14.5 adjustment period

HUNTING CLASH – NEW PHASE OF GROWTH

Bookings and marketing expenses (M PLN)

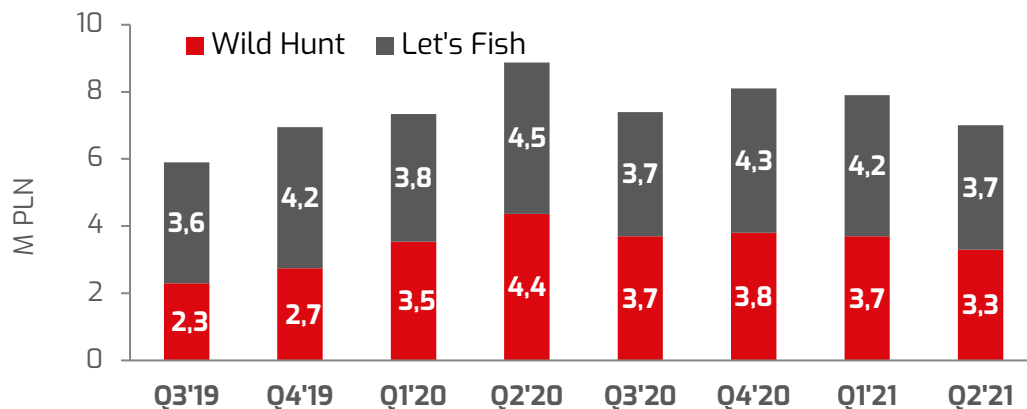


- **Bookings growth in July** driven by successful launch of new content and features
- Marketing expenses stabilized after Q1 push
- Game already **contributing to profit**
- Extensive next **18 months roadmap**



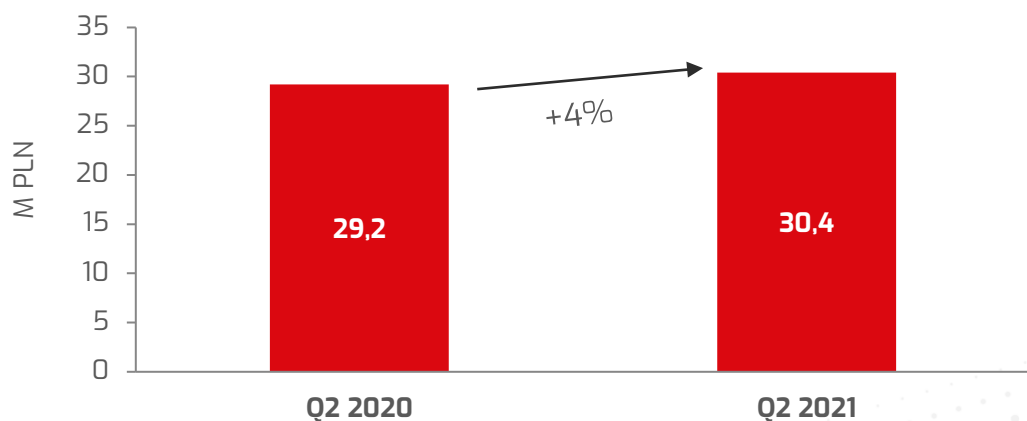
WILD HUNT AND LET'S FISH – CONTINUED STABLE PERFORMANCE

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



- Bookings for „legacy” portfolio on stable levels
- Constant delivery of new content, live ops
- Proof of ability to maintain long-term F2P portfolio
- Games sustain good KPIs with no marketing support

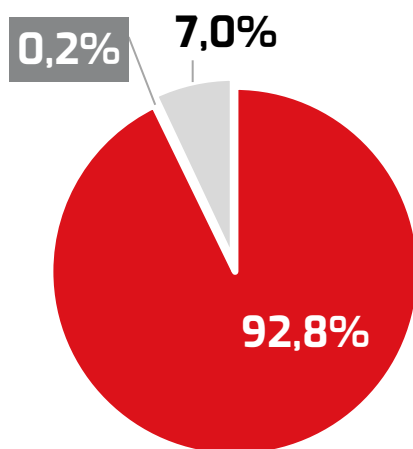
LTM bookings combined Q2 2021/2020 (M PLN)



GROWING PRODUCT DIVERSIFICATION

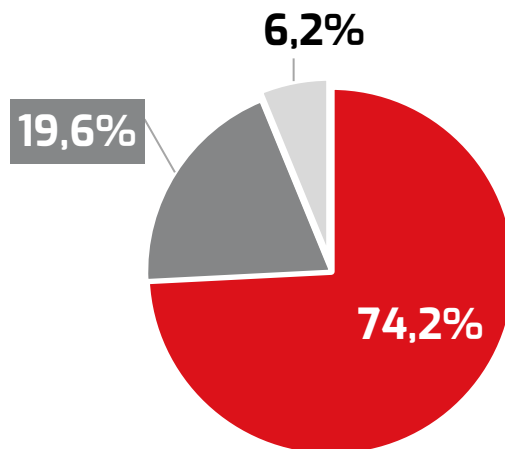
Q2 2020

Total bookings:
PLN 170M



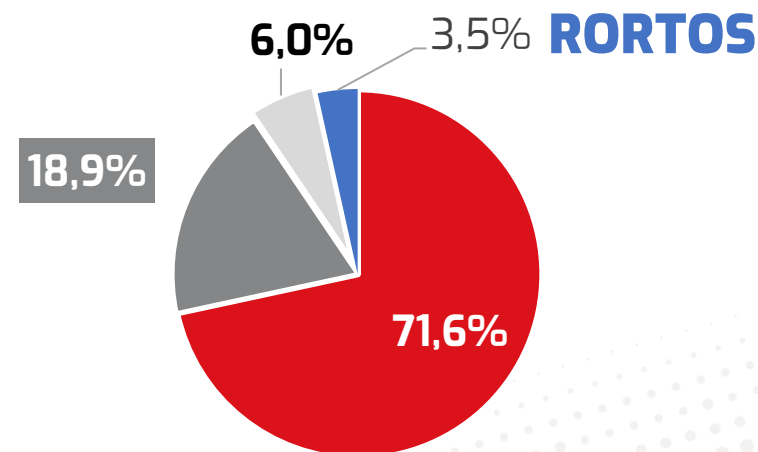
Q2 2021

Total bookings:
PLN 155M



Q2 2021 with RORTOS* (pro forma)

Total bookings:
PLN 161M**



■ Fishing clash %






■ Hunting clash %

■ Others %

* Results of RORTOS to be consolidated since Q3 2021; EUR/PLN exchange rate used: 4,5472

** There was a typing mistake in the number presented during the video conference – it was 186M, while the correct number is 161M

PRODUCTION PIPELINE

Game	Status	Description	Soft launch*
	Internal tests Production	<ul style="list-style-type: none"> • Zombie shooter with „clash” metagame 	<ul style="list-style-type: none"> • 2021/2022
 	Production	<ul style="list-style-type: none"> • Social based competitive game 	<ul style="list-style-type: none"> • 2021
Project 'Verne' / Airline Commander	Production	<ul style="list-style-type: none"> • Simulation with „clash” metagame 	<ul style="list-style-type: none"> • 2022
'Warplanes' 	Production	<ul style="list-style-type: none"> • Military flight simulator 	<ul style="list-style-type: none"> • 2021
Project 'Tokyo' 	Internal tests Production	<ul style="list-style-type: none"> • Hybrid game, strong social element 	<ul style="list-style-type: none"> • 2021/2022
Project 'Osaka'	Pre-production	<ul style="list-style-type: none"> • Hybrid game, strong social element 	<ul style="list-style-type: none"> • 2022

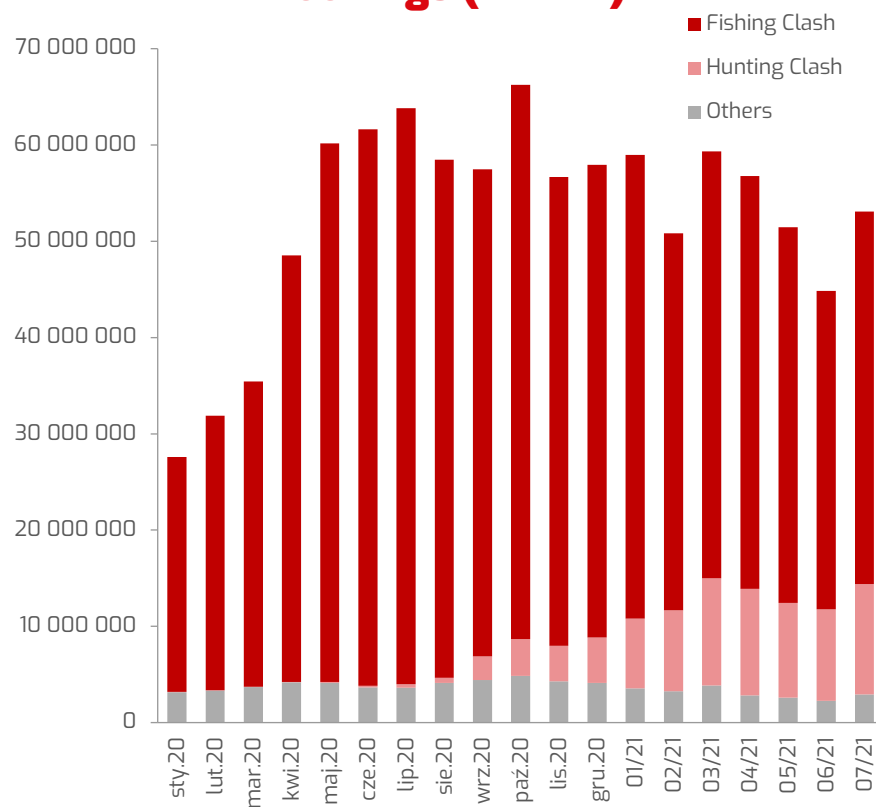
*Dates subject to change

FINANCIAL RESULTS



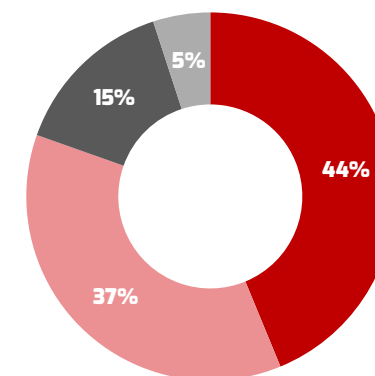
BOOKINGS BREAKDOWN AND DYNAMICS

Bookings (M PLN)

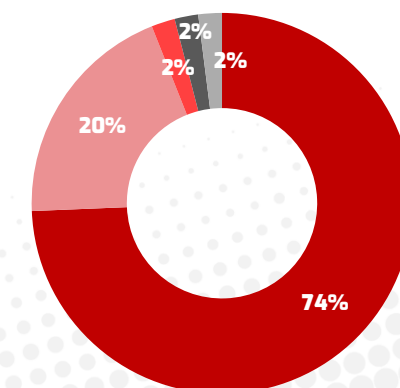


Bookings breakdown – geographies and products in Q2 2021

- North America
- Europe
- Asia
- Others

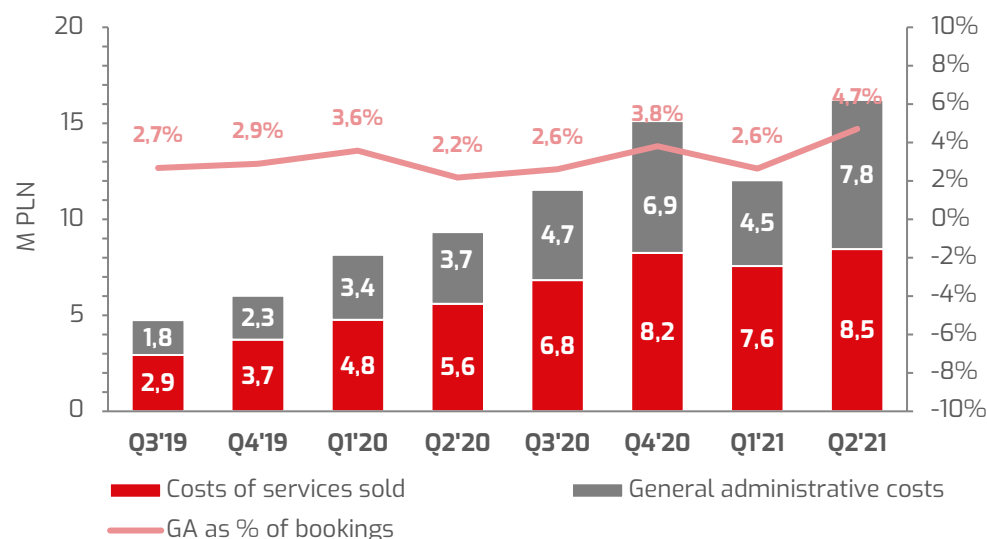


- Fishing Clash
- Hunting Clash
- Let's Fish
- Wild Hunt
- Others

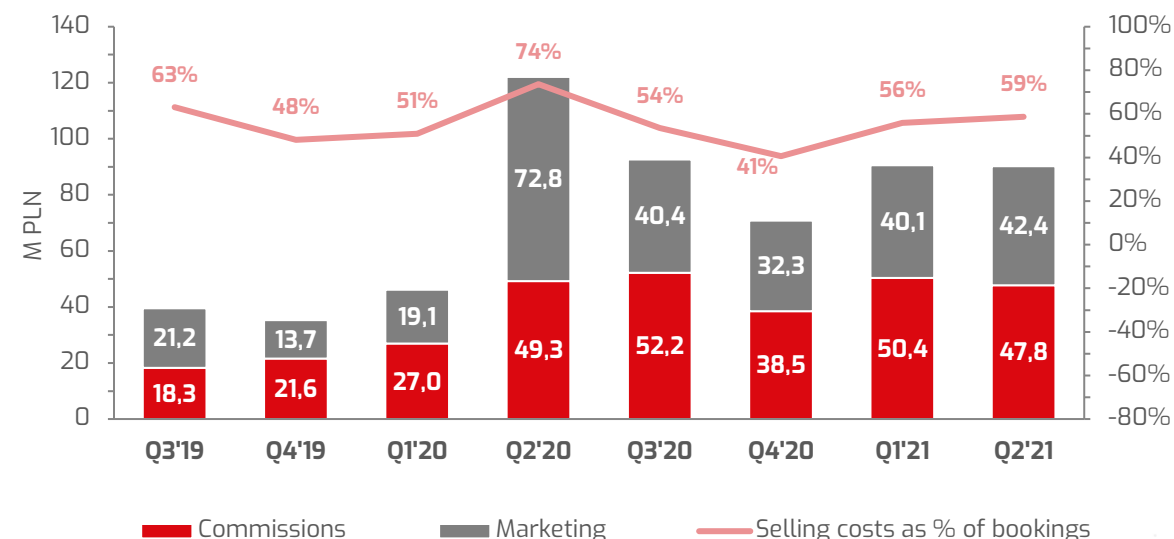


OPERATING EXPENSES ANALYSIS

Operating expenses excluding selling costs*



Selling costs*

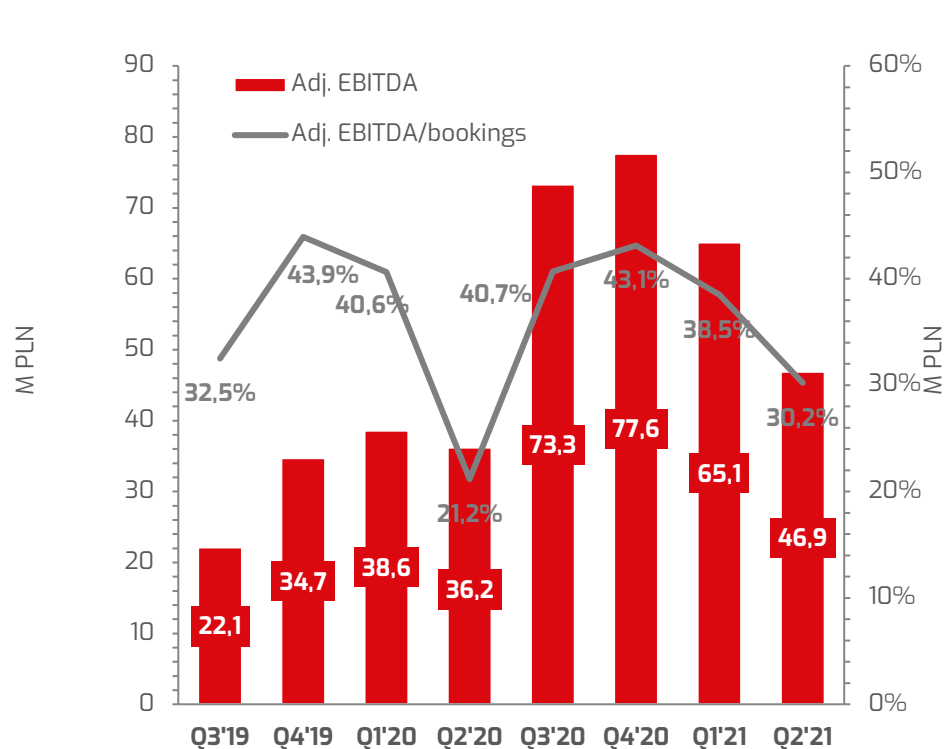


- Q2 GA costs include one off transactional advisory (acquisition of Rortos and strategic options review) of PLN 1.1 million, recruitment costs higher by PLN 0.6 million, remuneration costs higher by PLN 0.4 million, mostly due to increased employment. Normalized general and administrative expenses amount to slightly above PLN 5 million.
- Marketing budgets gradually increased after seasonal reduction in Q4

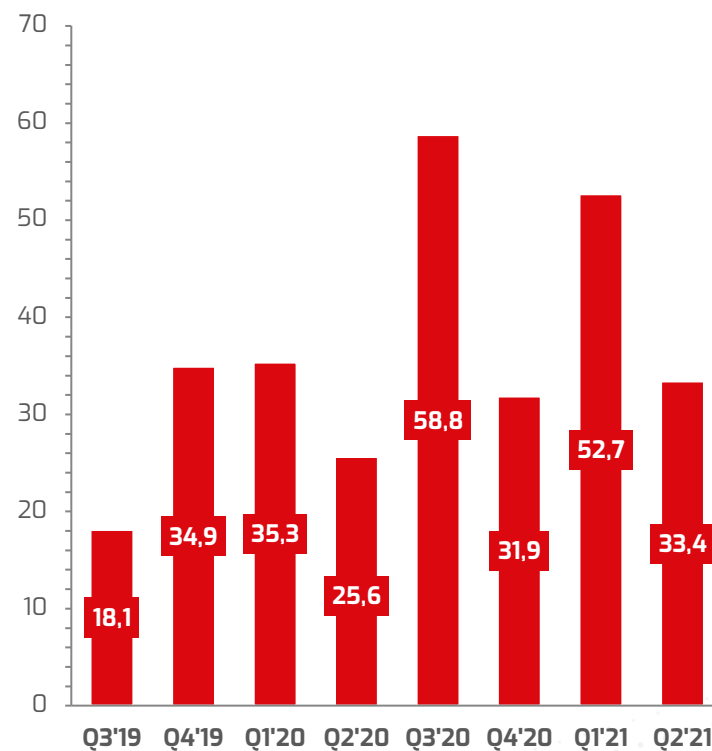
* Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup (slides 30-32)

STANDARDIZED OPERATING RESULTS*

Adjusted EBITDA*



Net profit IFRS

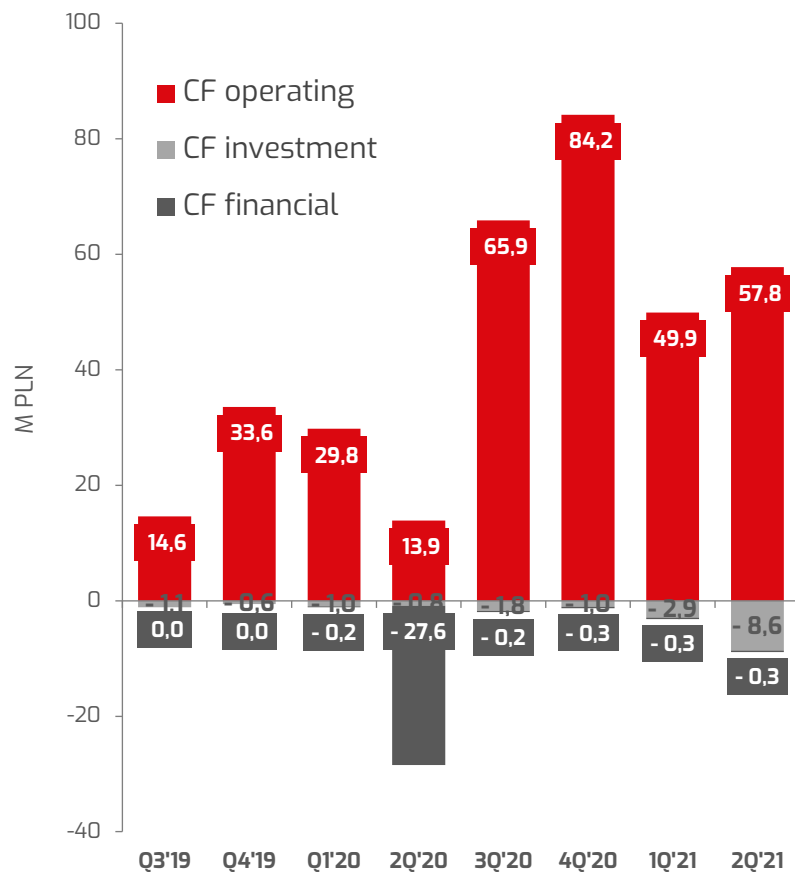


- **Adjusted EBITDA*** up by 47% yoy
- Net profit up by 30% yoy
- Q4 2020 net profit affected by first time revenue deferral adjustment in Fishing Clash

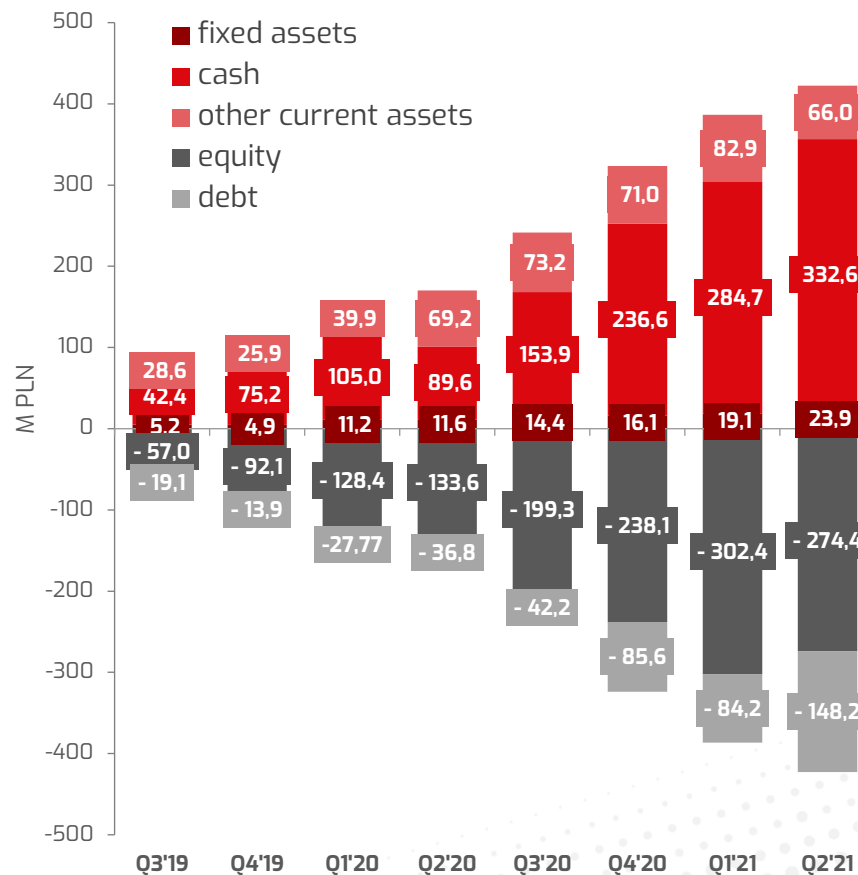
* Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup (slides 30-32)

QUICK BUILD UP OF CASH FOR INVESTMENT IN GROWTH

Cash flow (M PLN)



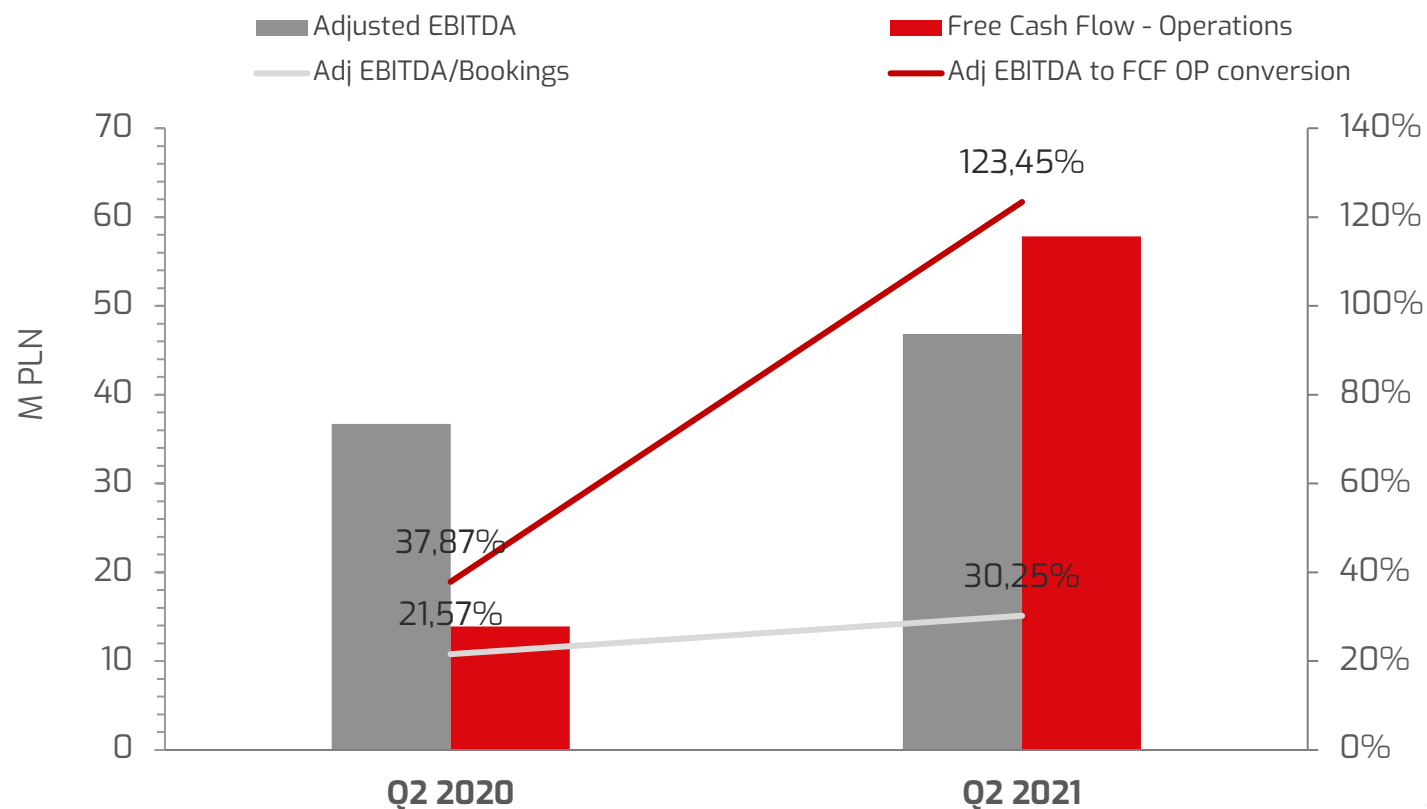
Balance sheet (M PLN)



- **Operating cash flows up by 416% yoy**
- **Excellent balance sheet structure** – almost 80% of total assets is cash
- A dividend for 2019 of PLN 27M was paid in Q2 2020, while in Q3 2021 a dividend of PLN 72,6M was paid for 2020

HIGH PROFITABILITY AND CASH GENERATION

Profitability and Cash Flow KPIs



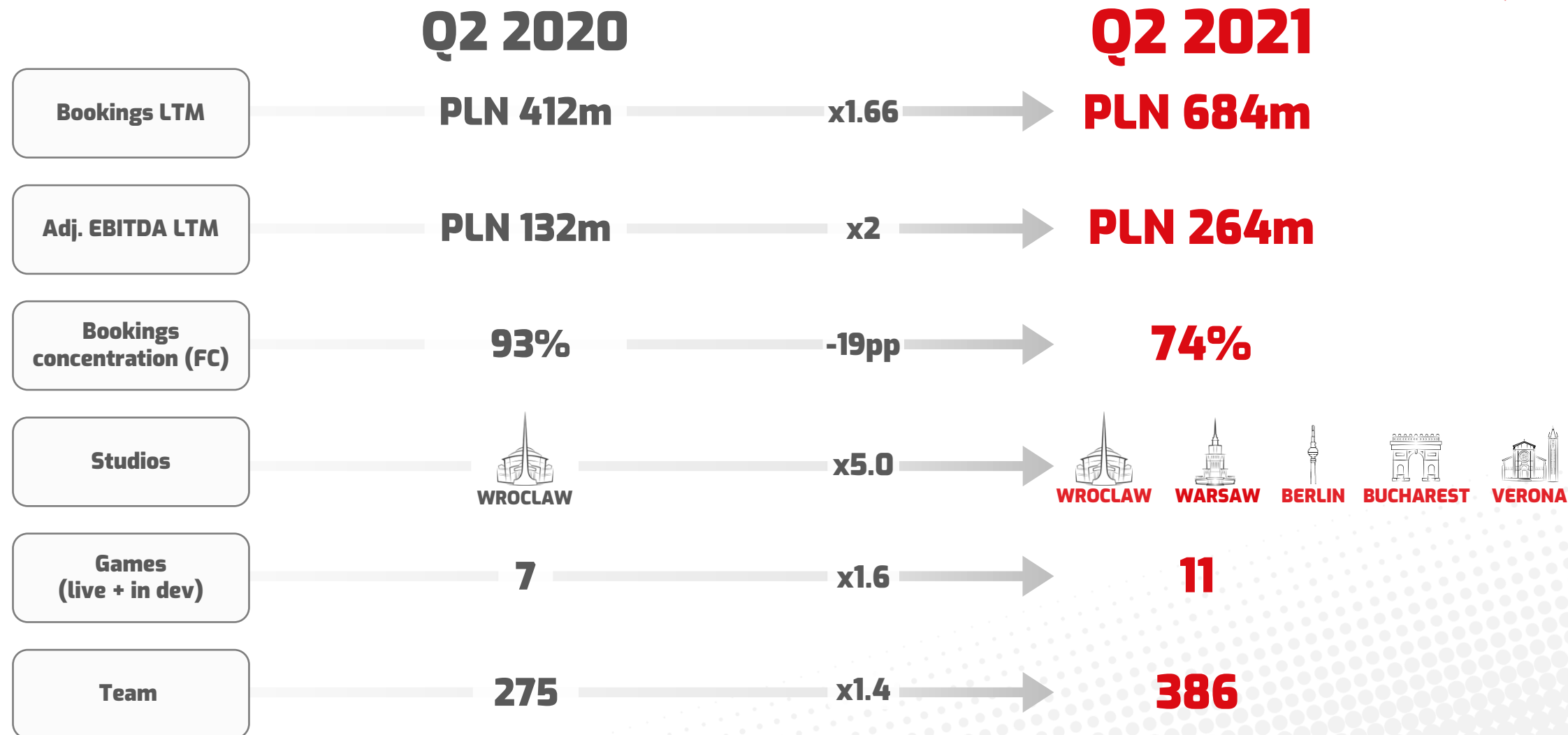
- **Very high profitability** and free cash flow generation
- **Adjusted EBITDA* to Bookings** above 30%
- **Adjusted EBITDA conversion to free cash flow from operations** above 120% due to negative impact of deferred revenues on EBITDA (non cash)

* 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 30-32)

STRATEGIC OVERVIEW



LAST 12 MONTHS IN HINDSIGHT



* Key contributing games: 2020: 3 games live, 4 in development; 2021: 5 games live, 6 in development

CURRENT MANAGEMENT FOCUSES



Fishing Clash and Hunting Clash road-map execution after strengthening teams beginning in June, further diversification of portfolio



**Fishing Clash China launch and integration of RORTOS, new growth directions
Delivery on other strategic pillars (new games Wrocław, Warsaw, Berlin)**



Strategic options review in progress

STRATEGY STATUS

Fully diversified and dynamically expanding platform

Wroclaw Hub



Spokes

Berlin

Warsaw

Bucharest

M&A



+New Clash type games
in the pipeline

+Possible more sports
and simulation games

+New studios rollout
(Warsaw, Berlin,
Bucharest)

+New DNA games in the
pipeline

+RORTOS joining the Ten
Square Games Group

+A strong team with new
titles in the pipeline

INVESTOR'S CALENDAR

Events we're attending:

- **Emerging Europe Investment Conference** – DM Pekao SA
– September 06-07th - virtual
- **Finest CEElection** – Erste Bank – October 06th – virtual
- **Emerging & Frontier Markets Conference** – Auerbach Grayson/IPOPEMA
– October 25-29th - virtual

Company news flow:

- **Q3 2021 Sales update** – early October 2021
- **Q3 2021 Financial report** – November 22nd, 2021 (video conference on November 23rd)

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	Q2'21
Revenues from sales	115 258	241 133	95 018	169 622	179 258	134 296	578 195	174 114	164 885
Fishing Clash	88 763	206 501	84 678	158 044	164 256	155 357	562 335	131 659	114 938
Let's Fish	16 453	15 214	3 869	4 551	3 708	4 349	16 478	4 208	3 711
Wild Hunt	4 880	9 626	3 543	4 375	3 708	3 769	15 395	3 666	3 331
Hunting Clash	-	-	65	347	3 361	12 303	16 077	26 841	30 390
Others	6 381	10 575	2 833	3 346	4 798	5 060	15 625	2 822	2 561
Deferred revenues	-1 221	-783	96	-694	-575	-46 541	-47 714	4 918	9 908
COGS	7 382	11 354	4 756	5 605	6 837	8 239	25 438	10 567	11 453
Gross profit on sales	107 876	229 779	90 261	164 017	172 421	126 057	552 756	163 547	153 433
GPS margin	94%	95%	95%	97%	96%	94%	96%	94%	93%
Selling costs	58 635	137 154	48 545	124 795	95 253	74 976	343 569	95 935	95 799
As % of revenues	51%	57%	51%	73%	53%	56%	59%	55%	58%
General and administrative costs	4 246	7 084	3 404	9 722	10 692	12 870	36 689	11 758	15 059
EBIT	44 315	84 577	37 555	29 422	66 475	38 322	171 774	55 919	38 696
EBITDA	45 012	85 728	38 249	30 159	67 256	39 195	174 860	56 861	43 446
EBITDA margin	39%	36%	40%	18%	37%	29%	30%	33%	26%
Net profit	36 469	76 386	35 341	25 622	58 770	31 865	151 599	52 682	33 396
Net profit margin	32%	32%	37%	15%	33%	24%	26%	30%	20%
EBITDA Adjusted			38 183	36 735	73 832	77 610	226 360	65 124	46 856
Team size	139	215	231	275	310	318	318	340	386

BALANCE SHEET

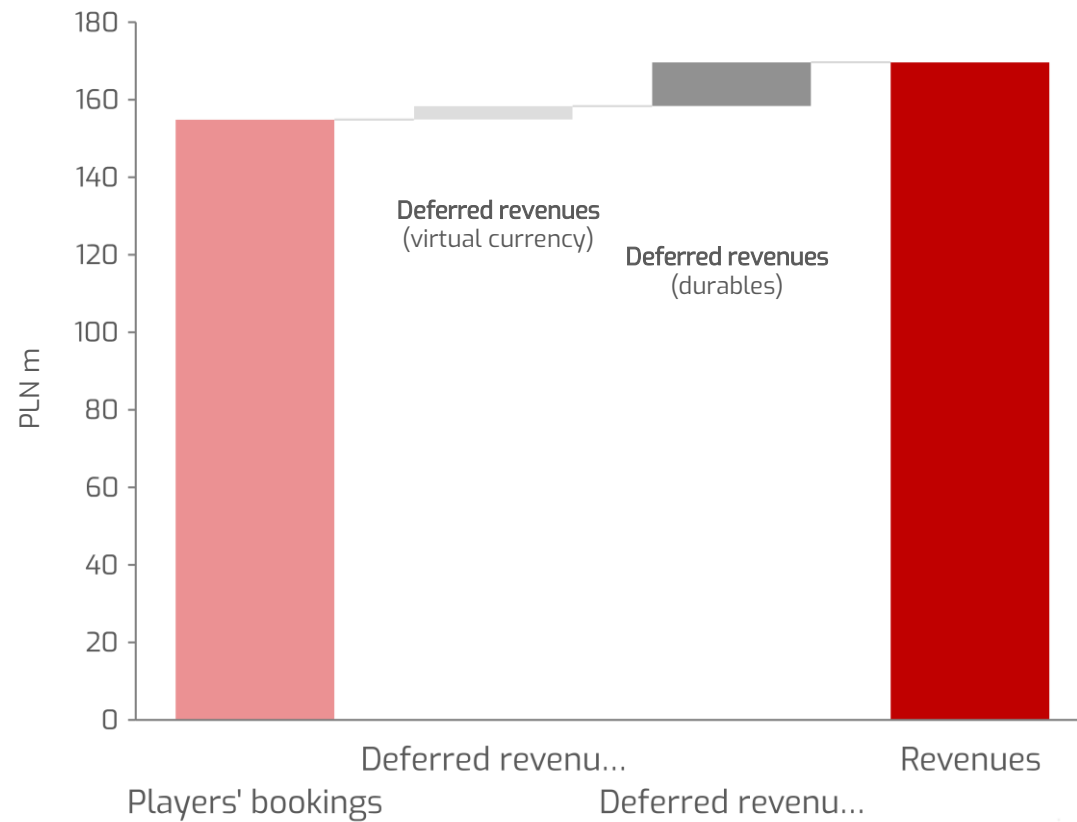
Selected positions in k PLN	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21
ASSETS										
Fixed assets	3 733	4 433	5 176	4 936	11 215	11 604	14 395	16 101	19 091	23 994
Trade receivables	16 249	15 652	24 012	20 737	34 447	58 723	57 205	47 589	57 331	45 946
Cash and cash equivalents	50 890	28 745	42 376	75 230	105 044	89 587	153 912	236 608	284 687	332 610
Current assets	70 399	47 861	71 021	101 109	144 958	158 751	227 103	307 583	367 559	398 669
Total assets	74 132	52 293	76 197	106 045	156 173	170 355	241 497	323 684	386 649	422 663
EQUITY AND LIABILITIES										
Equity	52 538	38 584	57 037	92 144	128 394	133 578	199 277	238 051	302 419	274 431
Leasing liabilities	0	0	0	0	5 511	5 252	7 296	6 994	6 588	5 869
Total long term liabilities	500	587	751	537	6 323	5 867	8 141	7 437	7 366	6 531
Trade payables	9 949	7 196	8 570	4 633	10 063	23 285	20 941	12 392	21 976	20 525
Total short term liabilities	21 093	13 122	18 409	13 363	21 455	30 909	34 079	78 196	76 864	141 701
Total liabilities	21 594	13 710	19 160	13 900	27 778	36 777	42 220	85 633	84 231	148 232
Total equity and liabilities	74 132	52 293	76 197	106 045	156 173	170 355	241 497	323 684	386 649	422 663

CASH FLOW REPORT

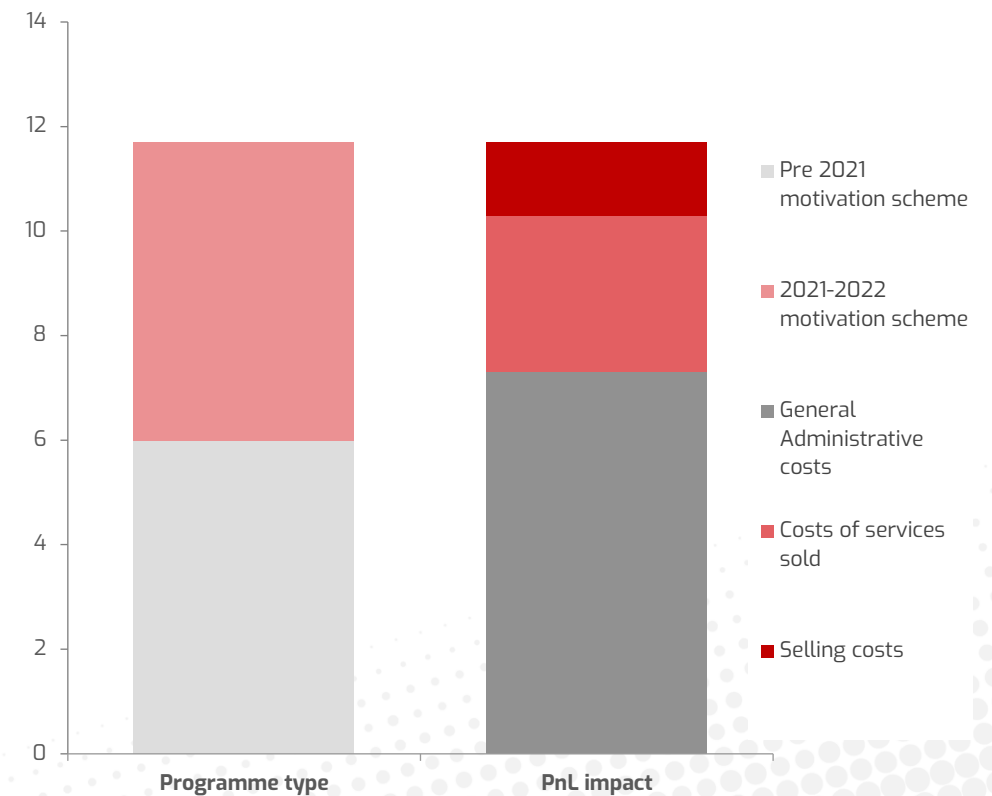
Selected positions in k PLN	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21
OPERATING ACTIVITIES										
Profit before tax	12 674	15 944	22 316	33 691	39 192	28 814	65 849	37 091	58 432	37 034
Total adjustments	-299	-1 589	-7 197	671	-7 735	-6 675	2 219	49 366	5 172	22 152
Amortisation	186	270	320	374	694	737	782	873	941	978
Cash from operations	12 375	14 356	15 119	34 362	31 457	22 139	68 068	86 457	63 604	59 186
Income tax paid	-370	-8 124	-541	-738	-1 673	-8 230	-2 209	-2 296	-13 733	-1 334
Net cash flows from operating activities	12 005	6 232	14 579	33 623	29 784	13 909	65 859	84 161	49 871	57 852
INVESTMENT ACTIVITIES										
Inflows	0	0	0	0	0	20	60	0	0	893
Outflows	-1 002	-890	-1 097	-554	-960	-868	-1815	-1 035	-2 909	-9 462
Net cash flows from investing activities	-1 002	-890	-1 097	-554	960	848	-1 755	-1 035	-2 909	-8 569
FINANCIAL ACTIVITIES										
Inflows	0	0	2	0	0	0	0	3	0	0
Outflows	0	-27 311	0	0	-194	-27 568	-209	-274	-274	-274
Dividends	0	-27 311	0	0	0	-27 371	0	0	0	0
Net cash flows from financing activities	0	-27 311	2	0	-174	-27 588	-209	-271	-274	-274
Net cash flows total	11 003	-21 968	13 483	33 069	28 650	-14 526	63 894	82 855	46 688	49 009

RESULTS RECONCILIATION

Q2 2021 bookings to IFRS revenues (PLN m)



Q2 2021 motivation scheme non cash costs (PLN m)

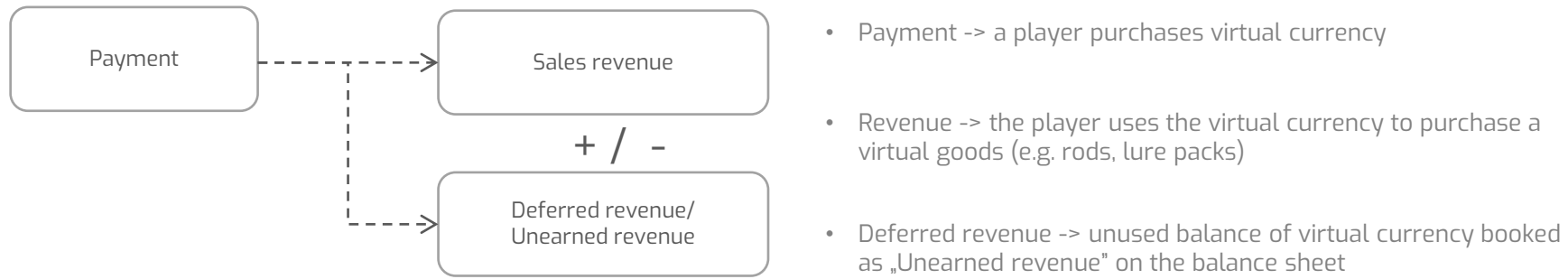


METHOD OF DETERMINING ADJUSTED EBITDA

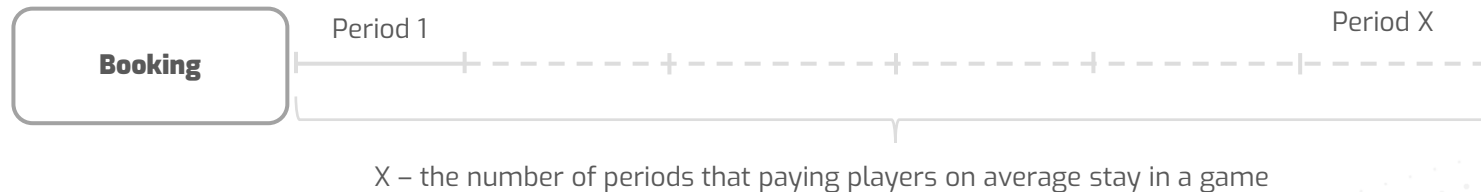
Selected items of the Profit and Loss Statement in thousand PLN	Results Q2 2021
Operating profit IFRS	38 696
Amortisation	+978
Write-down for impairment	+3 761
EBITDA IFRS	43 446
Corrections:	
Non-cash impact of the incentive programs	+10 258
Deferred revenues (unused virtual currency and durables)	+2 470
Deferred costs (unused virtual currency and durables)	-9 318
Adjusted EBITDA	46 856

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.

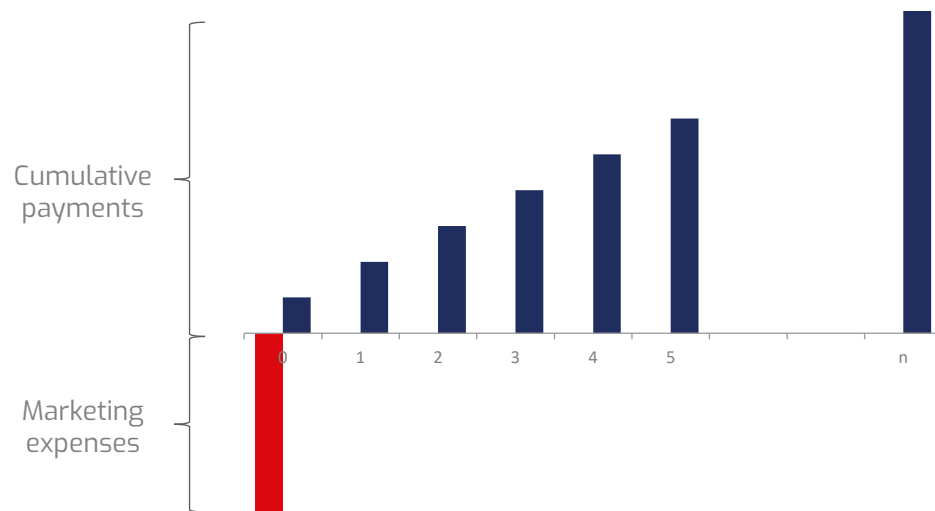
Periods from 2 to X – in each period the same value (equal to revenue recognized in period 1) is reclassified from deferred revenue to current period revenue.

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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