



ten square_games

Q3 2021 RESULTS

November 23rd, 2021



Q3 2021 HIGHLIGHTS



Q3 2021 HIGHLIGHTS

1 Business performance

Q2/Q3 Bookings (PLN M)

PLN 155.0M $\xrightarrow{+2\% \text{ q-o-q}}$ PLN 157.7M

Q2/Q3 Adj. EBITDA* (PLN M)

PLN 46.9M $\xrightarrow{+17\% \text{ q-o-q}}$ PLN 54.8M

Stabilization of performance in post lockdown environment, with strong growth in adj. EBITDA qoq

2 Focus on key strategic pillars

Core portfolio



New games



M&A

Analyzing a handful of interesting opportunities at different stages of maturity to invest

Work on core portfolio and abundant new game development pipeline supported by M&A activity

3 Significant events

RORTOS



1. Rortos acquisition
2. Fishing Clash entry to China

4 Strategic options review

Rationale

Process

Outcome

Process concluded, TSG to remain listed on WSE; Minor strategy alterations

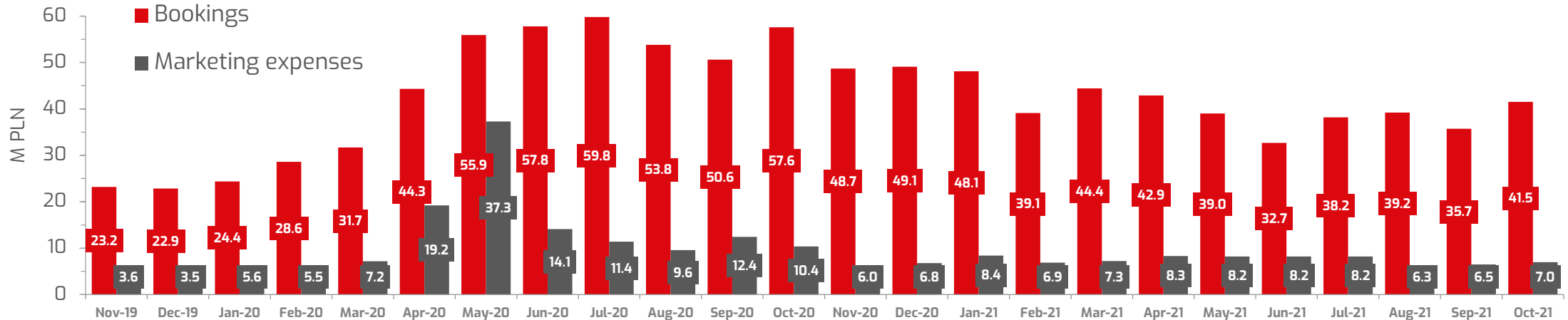
* Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup

PORTFOLIO PERFORMANCE

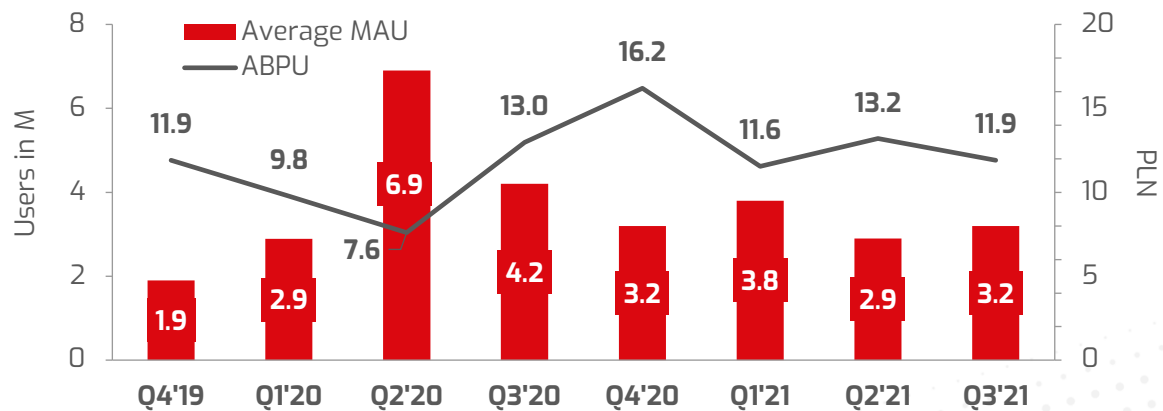


FISHING CLASH PERFORMANCE (EXCL. FC CHINA)

Bookings and marketing expenses (M PLN)



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

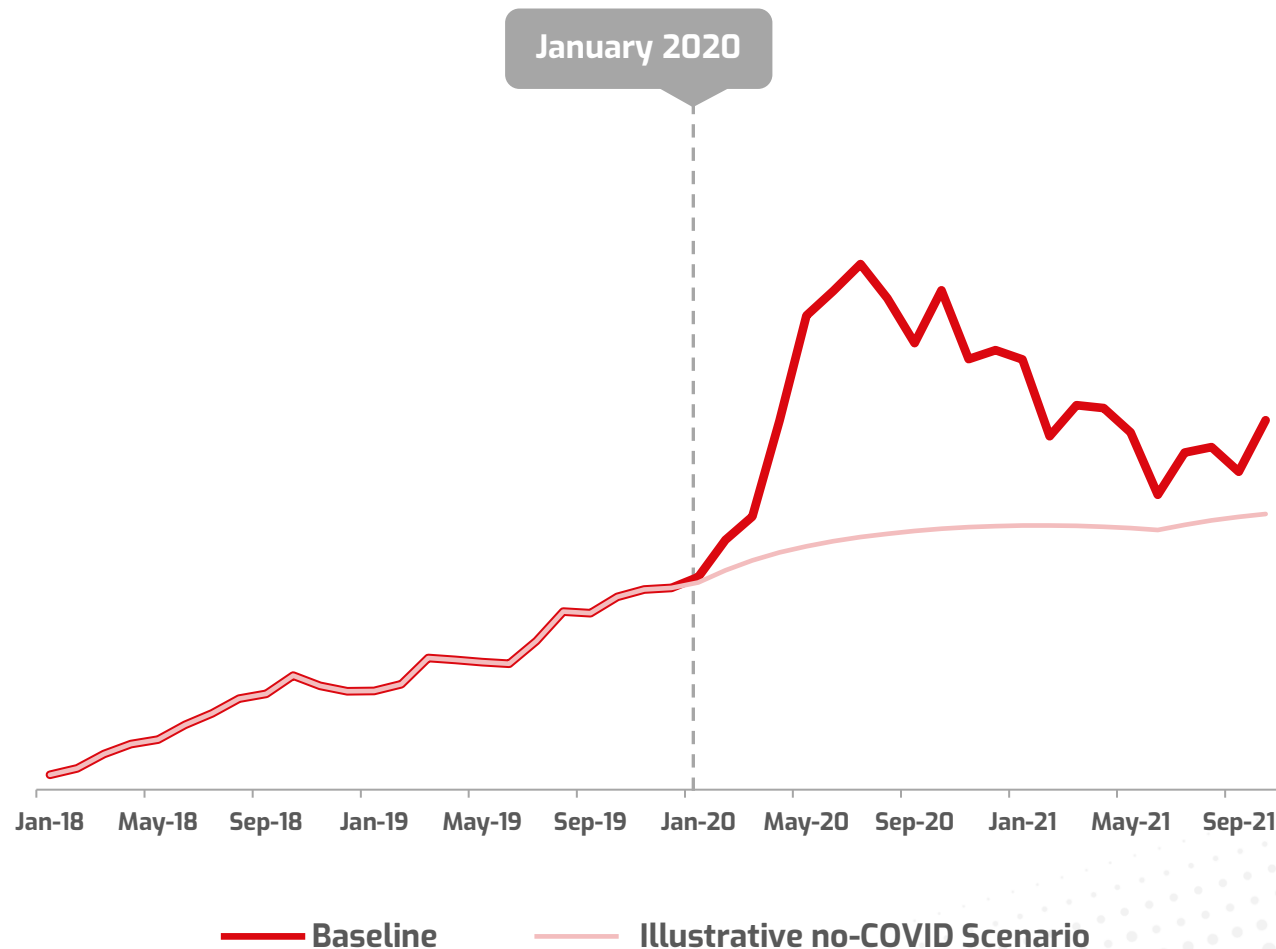


- **Stabilization of bookings in Q3 2021** in comparison to Q2 2021, despite post lock-down normalization of players cohorts
- **Ongoing game development** – investment in team reaching ca. 90 people securing long-term growth of the title
- **Increased installs volume** in Q3

*Average Bookings Per User

FISHING CLASH AFTER COVID-19 IMPACT

Bookings trajectory



Factors currently affecting performance

POSITIVE

- Team strengthening – more possibilities for further growth
- Continued work on the product development
- Back to new features and content development (strong roadmap)
- Elevated player base, increased DAU

NEGATIVE

- Volatility of players' engagement
- iOS 14.5 adjustment period affecting players' acquisition

FISHING CLASH CHINA

The Journey of Fishing Clash to China



Highly selective gatekeeping process

76 vs. **~25 k**

Number of mobile games accepted in China in 2021

Number of mobile games submitted on App Store in 2021 (globally, till September)

NetEase blue-ribbon portfolio

7

Number of mobile games published by NetEase accepted in China in 2021



Successful Launch

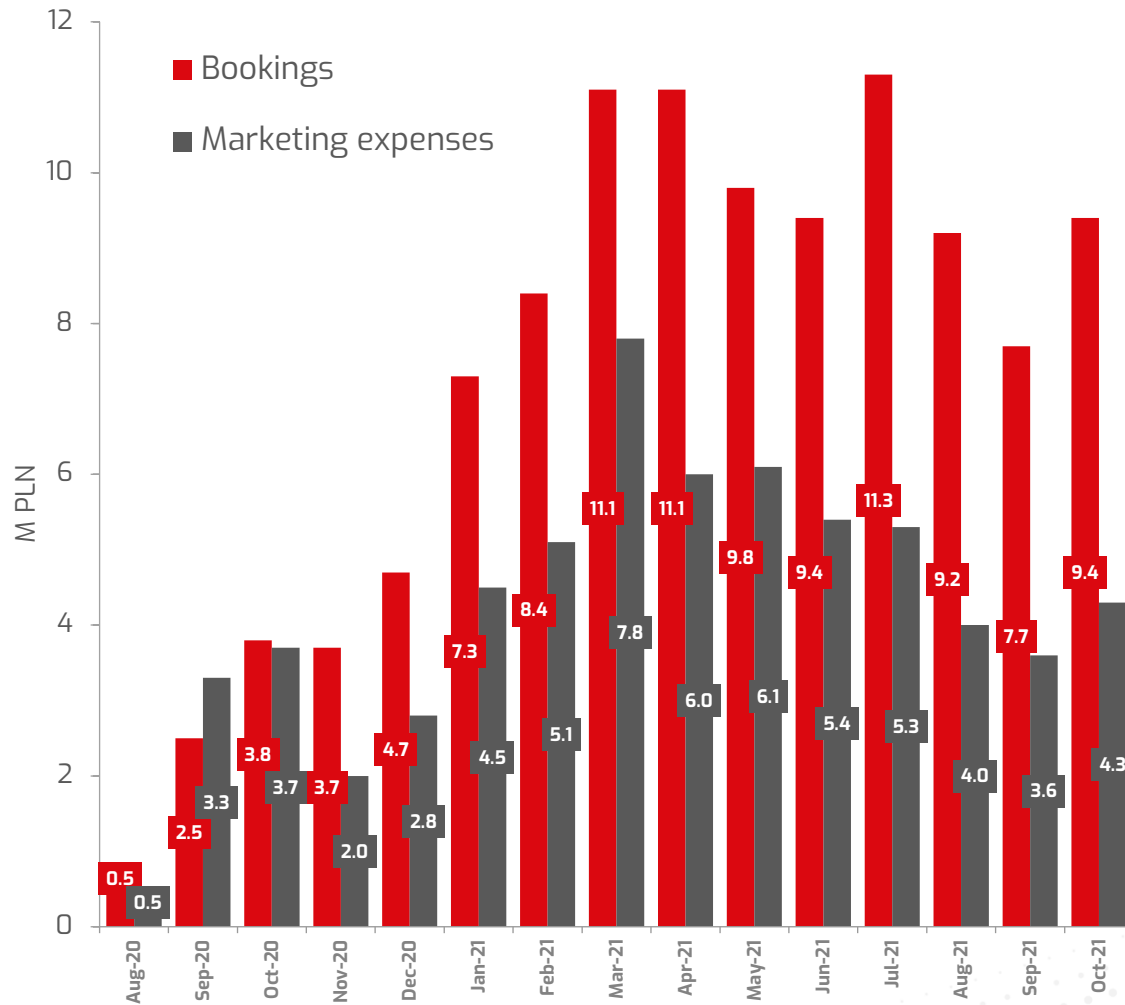
APP STORE TOP SPORT GAMES IN CHINA (JUL – OCT 2021, APP ANNIE)

#	Unified App	Downloads ↓	Revenue ↓
1	SONIC AT THE OLYMPIC GAMES SEGA	792k	\$12.7k
2	T-BALL Tencent	686k	\$694k
3	Fishing Clash Ten Square Games	644k	\$1.06m
4	Pool Empire Hangzhou Mention	583k	\$423k
5	最强NBA Tencent	462k	\$5.94m
6	Badminton League RedFish Game Studio	450k	\$50.1k
7	eFootball PES 2021 KONAMI	367k	\$11.3m
8	Badminton Blitz Joyient	308k	\$271k
9	FIFA Soccer Electronic Arts	307k	\$11.1m
10	球场风云 Baiyi Sports	225k	\$353k

- +1M downloads within 3 month after launch
- TOP 3 in terms of downloads on App Store in Sport Games category (Aug - Sep 2021)
- TOP 7 in terms of grossing on App Store in Sport Games category (Aug - Sep 2021)
- We have launched a successful UA campaigns with our partner

HUNTING CLASH PERFORMANCE

Bookings and marketing expenses (M PLN)

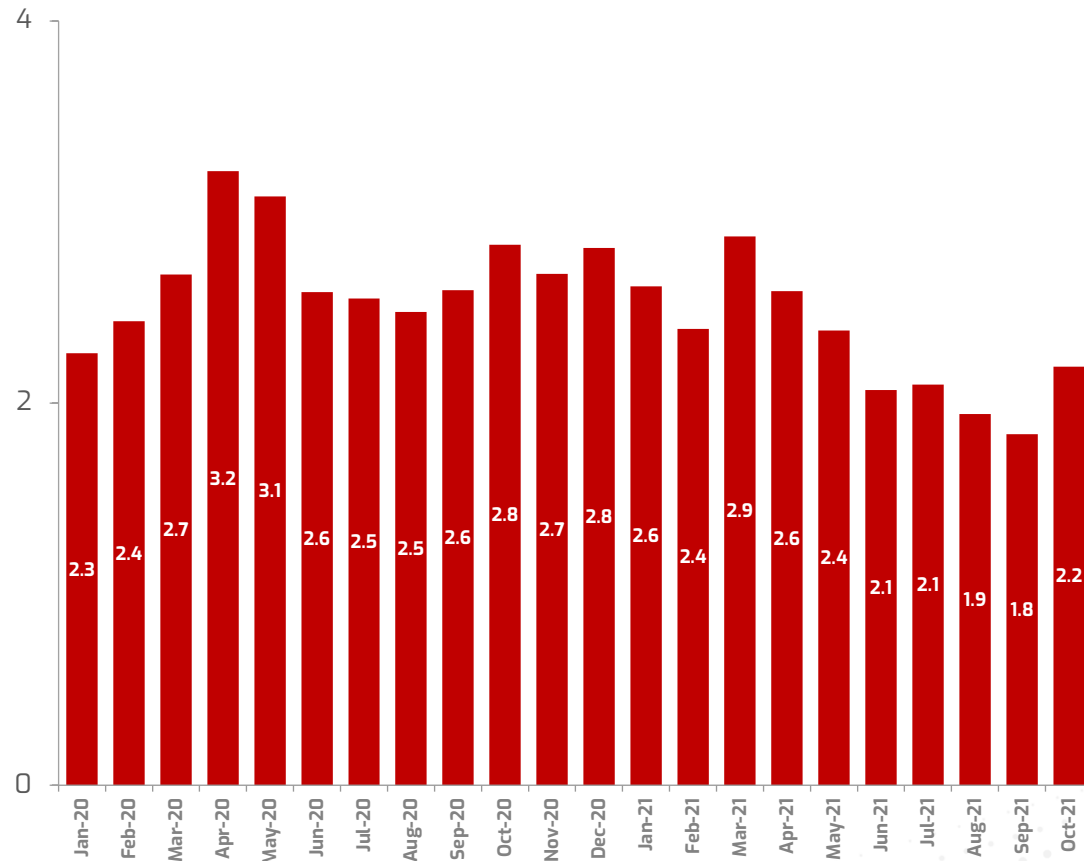


- **Bookings in Q3 2021** at a stable level, despite ca. 26% lower marketing expenses than in Q2 2021
- **Focus in Q3** – team scale-up to 70 people, strengthening the leadership of the team and new features
- Next **6 to 9 months focus** to take the product to comparable „feature” maturity as Fishing Clash



WILD HUNT AND LET'S FISH – OUR EVERGREEN PORTFOLIO

Bookings of evergreen titles – WH and LF (M PLN)



- **Evergreen portfolio team reconstruction** (from ca. 50 to 22 FTEs) with members of the team relocated to core portfolio and new game development teams
- Bookings for evergreen portfolio slightly decreased in 3Q 2021, however **recent results show positive rebound**
- **Constant delivery** of new content, live ops
- Proof of ability to maintain **long-term F2P portfolio**
- Games sustain **good KPIs and profitability with no marketing support**



RORTOS Q3 2021 SNAPSHOT






RORTOS 



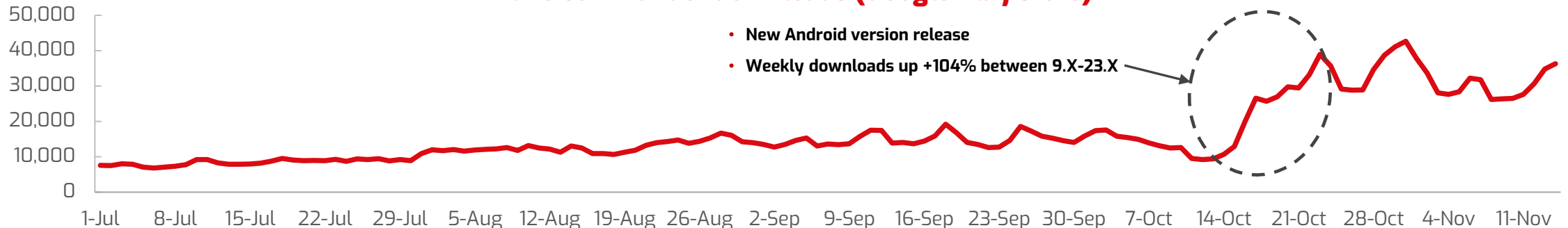
WARPLANES

- Acquired in June 2021, **Rortos** is the **largest player** in a **highly attractive mobile flight simulation segment**
- **3 main live titles** and **1 title under development** – both commercial and military flight subgenres
- Growing team of +20 FTEs based in Verona, Italy
- **Airline Commander** (main title) is now developed and optimized by designated TSG team
- **Warplanes Multiplayer** are expected to be published in 2022



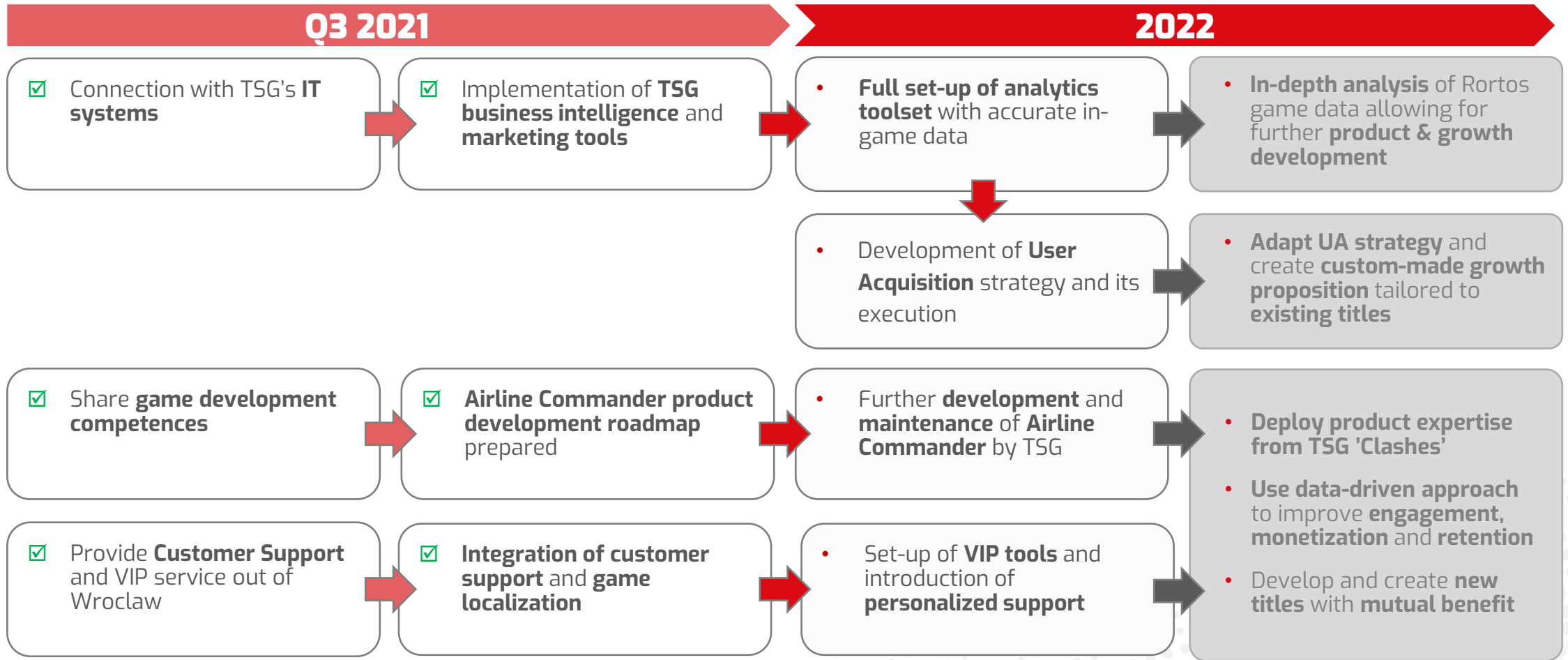
  <p>Contribution to 3Q 21' results:</p>	<p>PLN7.3M Net Revenue Q3 2021</p>	<p>PLN3.0M EBITDA* Q3 2021</p>
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Airline commander downloads (Google Play store)



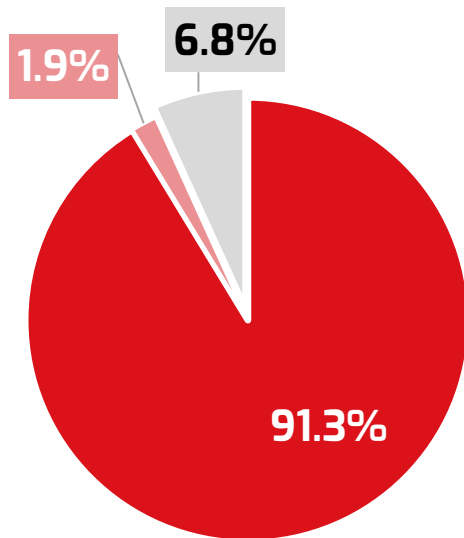
Source: AppAnnie database, 15.11.2021

RORTOS INTEGRATION AND DEVELOPMENT PLAN UPDATE

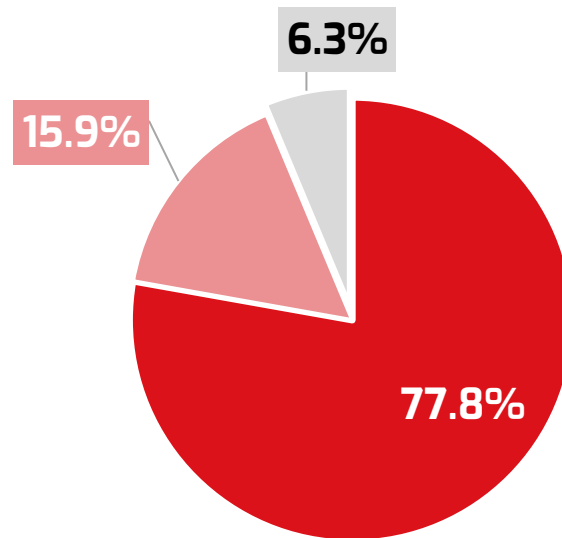


GROWING PRODUCT DIVERSIFICATION

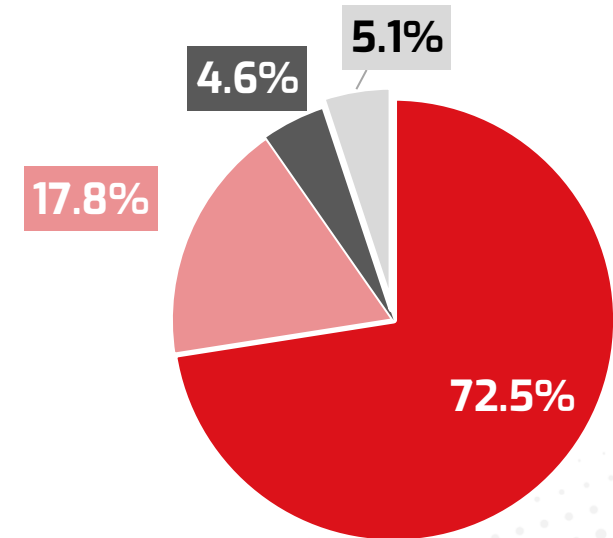
Q3 2020



Q1 2021


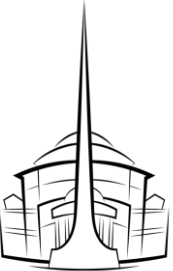





Q3 2021



■ Fishing Clash % ■ Hunting Clash % ■ Rortos games % ■ Others %

PRODUCTION PIPELINE UPDATE

Game	Description / Current status	Soft launch*
 	<ul style="list-style-type: none"> • Zombie shooter with „clash” metagame • Development of metagame and monetization features • First playable version of the game to be released to players in Q4 2021 to better prioritize production roadmap 	Q2 2022
 	<ul style="list-style-type: none"> • Social based competitive game • Advanced production following the analysis of players needs and playtest results conducted in Q2 2021 	H1 2022
 	<ul style="list-style-type: none"> • Military flight simulator • Full technical launch version of the game ready to be published at the turn of the year 	Q1 2022
 	<ul style="list-style-type: none"> • Hybrid game with strong focus on social features • First playable version of the game to be released to players in Q1 2022 	Q2 2022
<p>Project 'Osaka'</p> 	<ul style="list-style-type: none"> • Hybrid game with strong focus on social features • Finished game prototype 	H2 2022

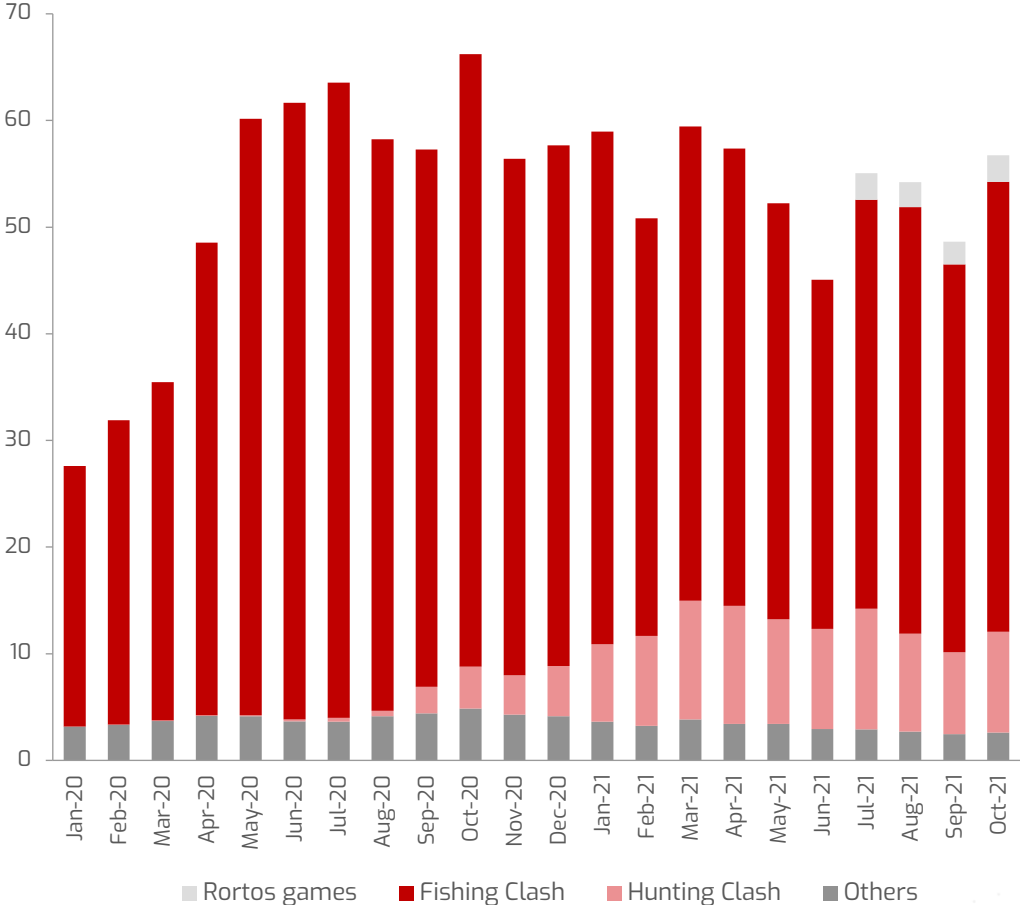
*Dates subject to change

FINANCIAL RESULTS

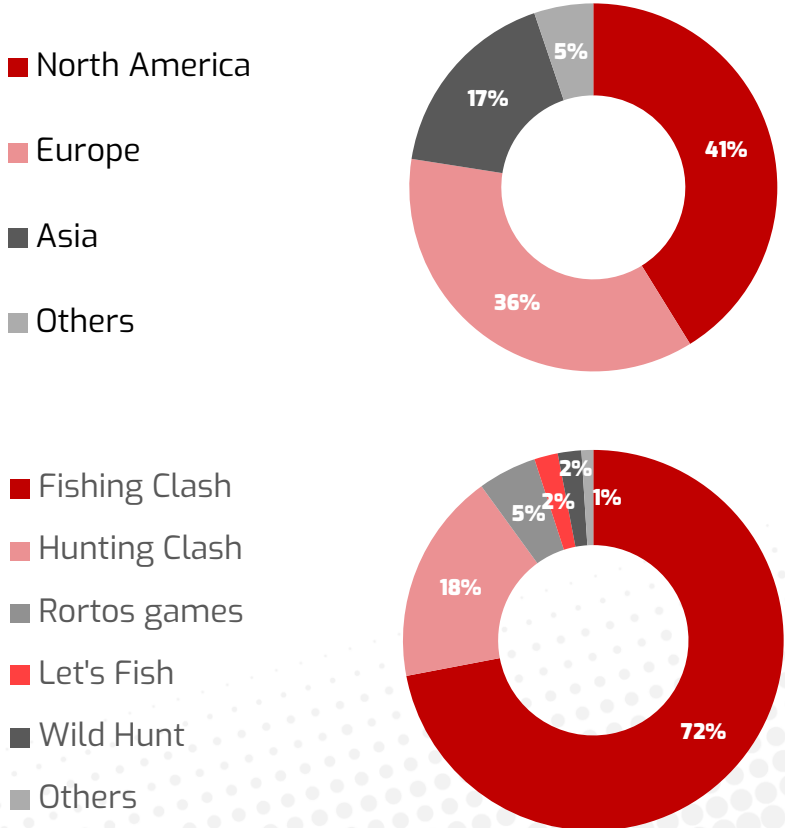


BOOKINGS BREAKDOWN AND DYNAMICS

Bookings (M PLN)

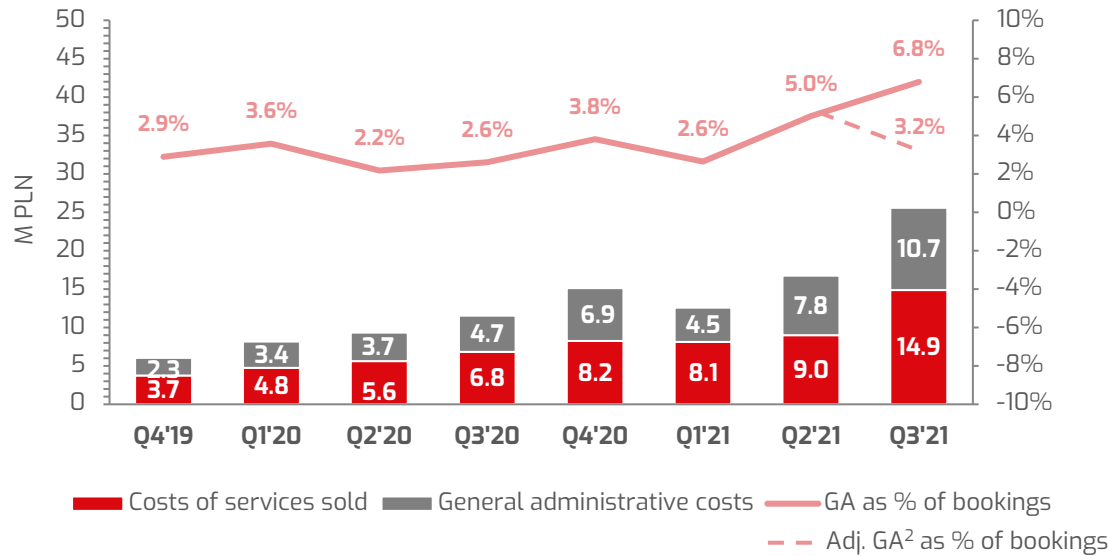


Bookings breakdown – geographies and products in Q3 2021

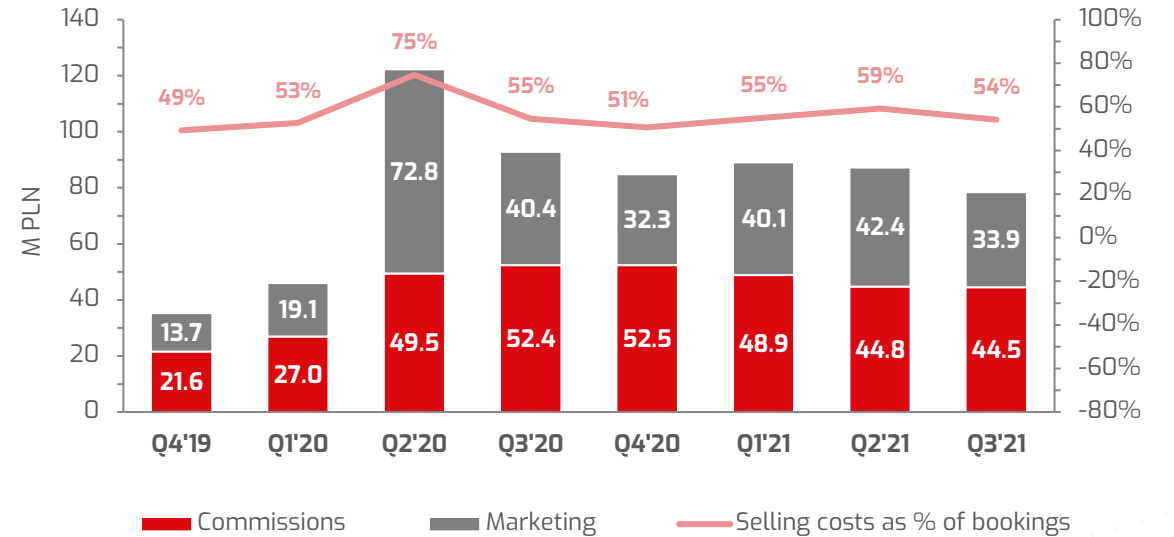


OPERATING EXPENSES ANALYSIS

Operating expenses excluding selling costs¹



Main selling costs¹



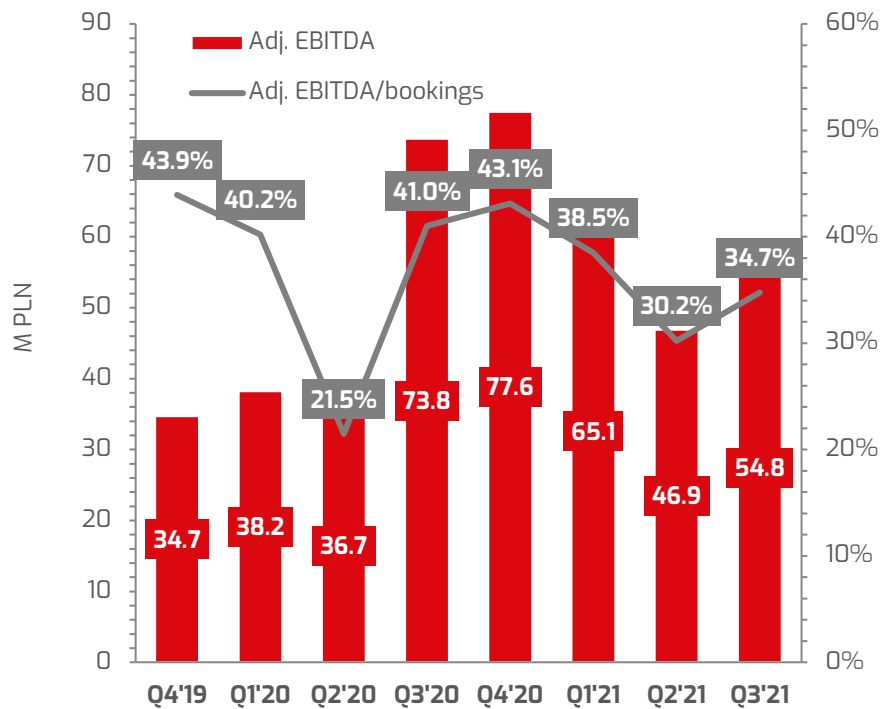
- Increased operating expenses excluding selling costs stems from increased employment, training and integration trip to Croatia and acquisition of Rortos
- Decreased level of marketing costs in Q3 2021, due to higher customer acquisition costs on the market

¹ 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

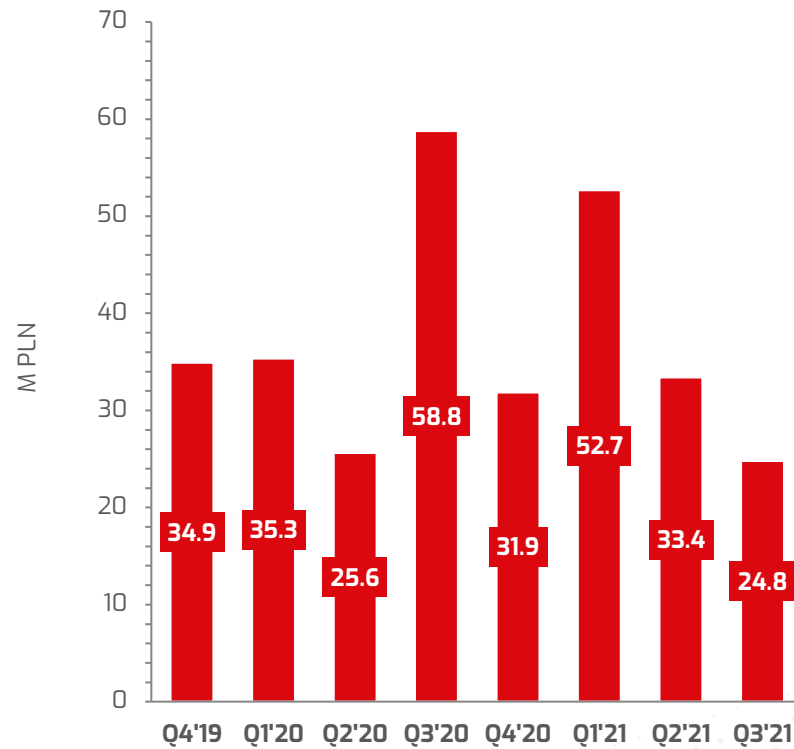
² Excluding one-off costs

STANDARDIZED OPERATING RESULTS

Adjusted EBITDA



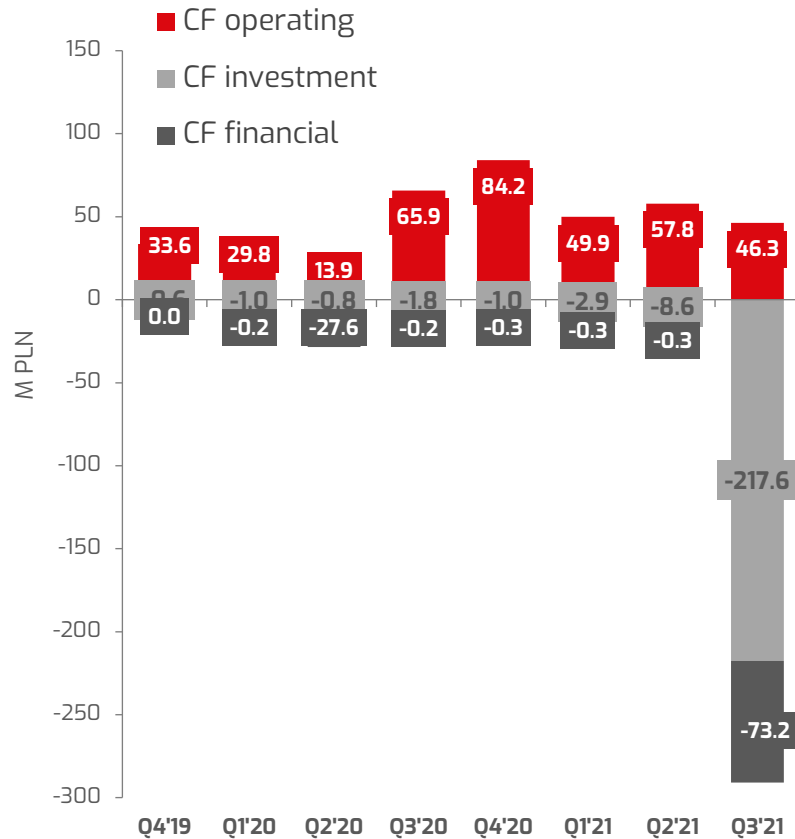
Net profit IFRS



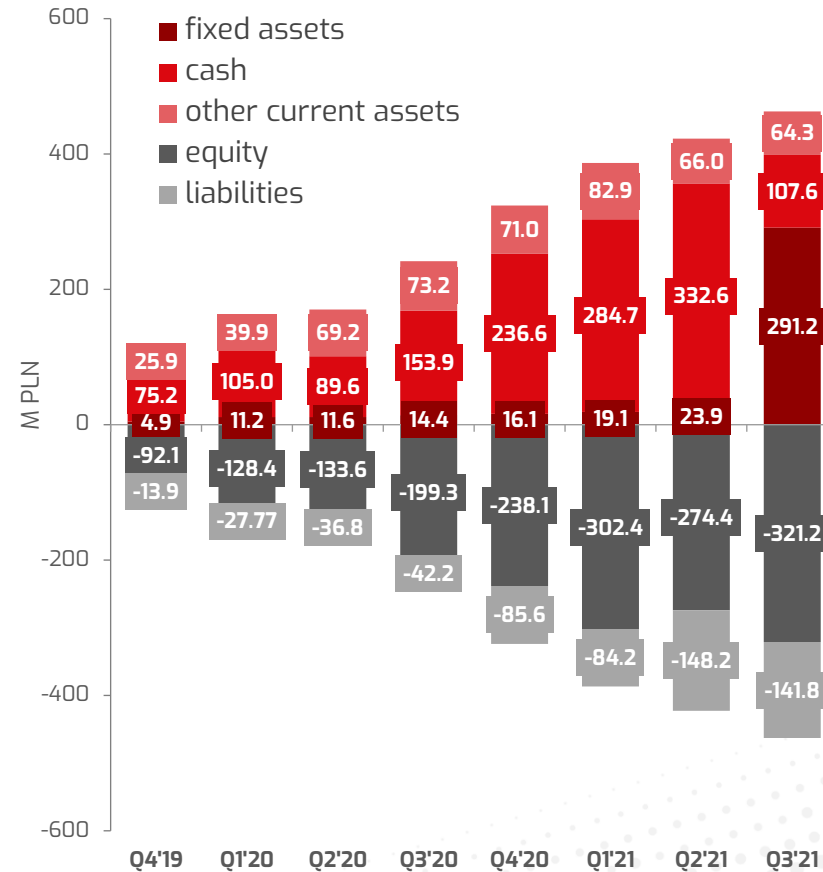
- Adjusted EBITDA amounted to PLN 54.8M (+17% qoq)
- Net profit is strongly impacted by the IFRS adjustment of deferred revenues in the games (PLN -9.8m for 3Q and PLN +9.9m for 2Q)

SIGNIFICANT CASH POOL AVAILABLE FOR INVESTMENT IN GROWTH

Cash flow (M PLN)



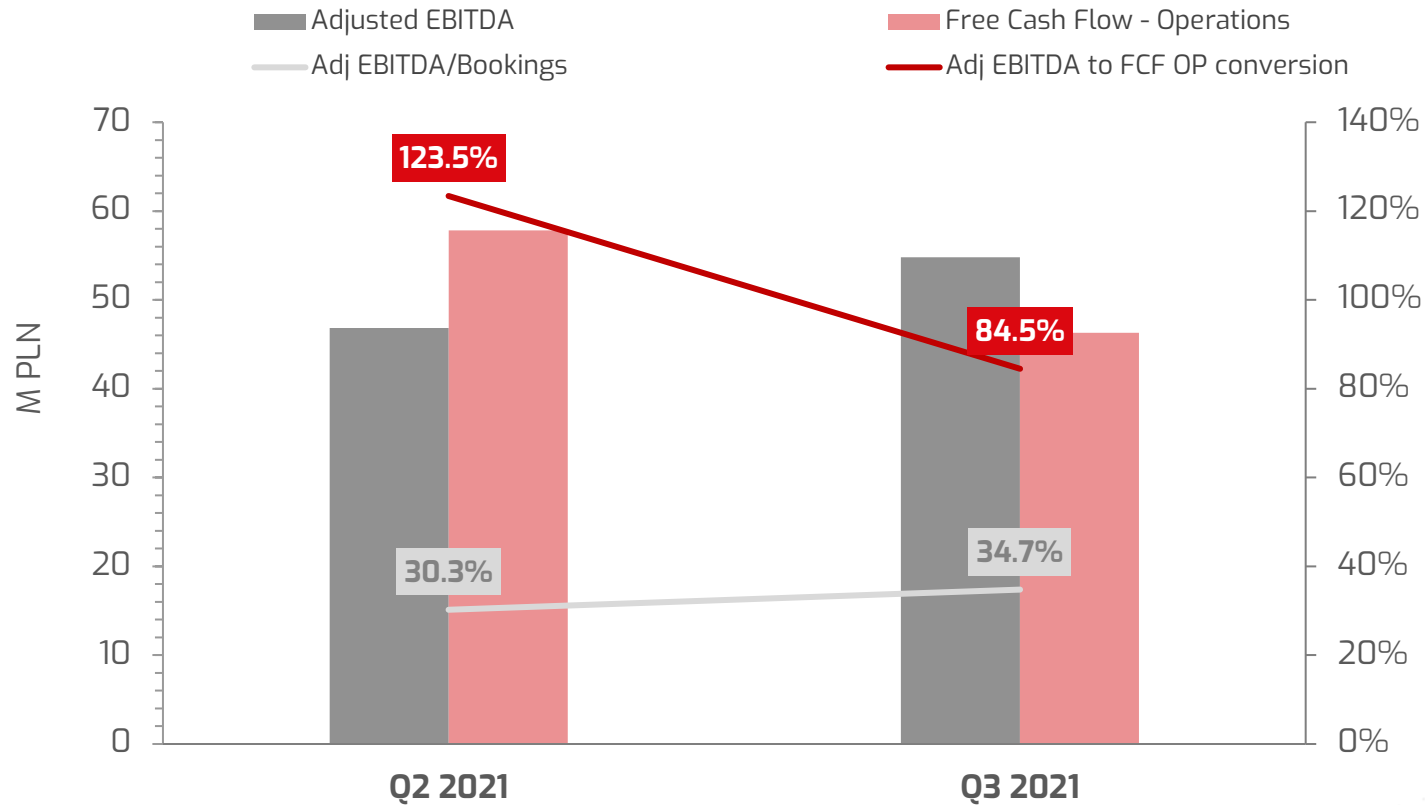
Balance sheet (M PLN)



- **Rortos acquisition (PLN 210M) financed by cash**, resulting in fixed assets increase
- A dividend for 2020 of PLN 73M was paid in Q3 2020
- Despite significant outflows this quarter, cash and cash equivalents exceed PLN 100M at the end of Q3 2021

HIGH PROFITABILITY AND CASH GENERATION

Profitability and Cash Flow KPIs



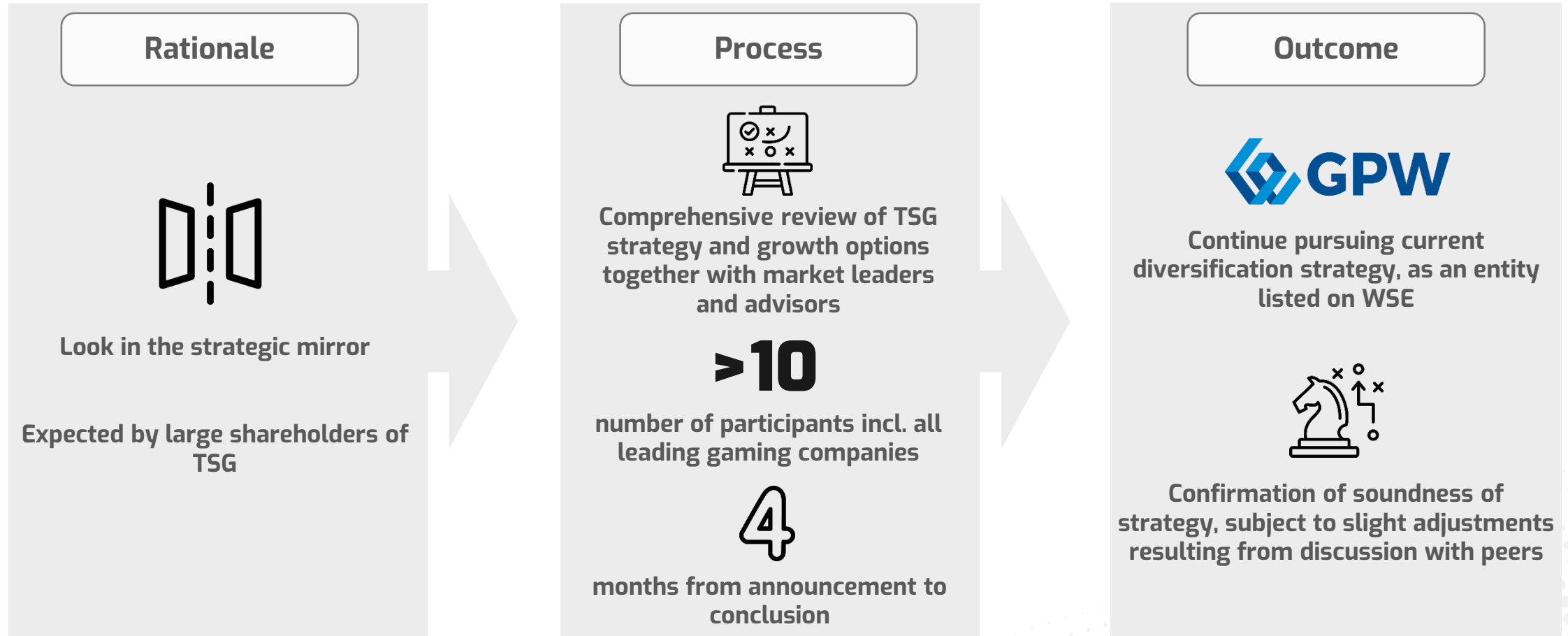
- **High profitability** and free cash flow generation
- **Adjusted EBITDA* to Bookings margin** increased qoq
- **Adjusted EBITDA conversion to free cash flow from operations of 85%**

* 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

STRATEGIC OVERVIEW



STRATEGIC OPTIONS REVIEW CONCLUSION



The process has confirmed recognition of TSG as a scarce mobile video gaming platform in a region that everyone cares about and provided highly positive feedback on TSG's meaningful accomplishments, quality of management team, pool of talent, clarity of strategy and paths to grow

STRATEGY STATUS



2011

2017

2020

2021

2022

2023 +



Wrocław

Core Game Development



The Next Big Clashes

Play Sports

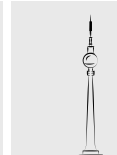
More Sims

Expansion

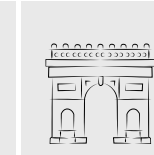
Studios Expansion



WARSAWA



BERLIN



BUCHAREST



Project 'Osaka'

Additional International Studios

More New Games

M&A

RORTOS

WARPLANES

SSU



More M&A

Talent pool

110
Dec 2017

215
Dec 2019

318
Dec 2020

500+
Current

CURRENT MANAGEMENT FOCUS



UNDEAD CLASH



CORE PORTFOLIO Fishing Clash and Hunting Clash road-map execution after strengthening teams, allowing to further diversify portfolio



NEW PRODUCTS Further diversification of portfolio thanks to abundant development portfolio with 4 titles planned for launch in 2022



PLATFORM INVESTMENT AND M&A Strong investments to support our growth, technology, services and products capabilities with M&A allowing to speed up this process and enabling further diversification

INVESTOR'S CALENDAR

Events we're attending:

- **WOOD's Winter Wonderland** – Wood & Company – December 07-09th 2021 – Prague, Czech Republic

Company news flow:

- **Q4 2021 Sales Update** – early January 2022
- **2021 Full Year Financial Report** – March 2022 (dates of reporting for 2022 will be published in December 2021/January 2022)

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	Q3'21
Revenues from sales	115 258	241 133	95 018	169 622	179 258	134 296	578 195	174 114	164 885	147 951
Fishing Clash	88 763	206 501	84 678	158 044	164 256	155 357	562 335	131 659	114 938	114 371
Let's Fish	16 453	15 214	3 869	4 551	3 708	4 349	16 478	4 208	3 711	3 110
Wild Hunt	4 880	9 626	3 543	4 375	3 708	3 769	15 395	3 666	3 331	2 761
Hunting Clash	-	-	65	347	3 361	12 303	16 077	26 841	30 390	28 042
Others	6 381	10 575	2 833	3 346	4 798	5 060	15 625	2 822	2 561	9 421
Deferred revenues	-1 221	-783	96	-694	-575	-46 541	-47 714	4 918	9 908	-9 755
COGS	7 382	11 354	4 756	5 605	6 837	8 239	25 438	10 567	11 453	15 248
Gross profit on sales	107 876	229 779	90 261	164 017	172 421	126 057	552 756	163 547	153 433	132 703
GPS margin	94%	95%	95%	97%	96%	94%	96%	94%	93%	90%
Selling costs	58 635	137 154	48 545	124 795	95 253	74 976	343 569	95 935	95 799	82 619
As % of revenues	51%	57%	51%	73%	53%	56%	59%	55%	58%	56%
General and administrative costs	4 246	7 084	3 404	9 722	10 692	12 870	36 689	11 758	15 059	18 025
EBIT	44 315	84 577	37 555	29 422	66 475	38 322	171 774	55 919	38 696	31 192
EBITDA	45 012	85 728	38 249	30 159	67 256	39 195	174 860	56 861	43 446	34 486
EBITDA margin	39%	36%	40%	18%	37%	29%	30%	33%	26%	23%
Net profit	36 469	76 386	35 341	25 622	58 770	31 865	151 599	52 682	33 396	24 795
Net profit margin	32%	32%	37%	15%	33%	24%	26%	30%	20%	17%
EBITDA Adjusted			38 183	36 735	74 431	77 610	226 360	65 124	46 856	54 821
Team size (including Rortos)	139	215	231	275	310	318	318	340	386	482

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	Q3'21
ASSETS											
Fixed assets	3 733	4 433	5 176	4 936	11 215	11 604	14 395	16 101	19 091	23 994	291 171
Receivables	16 249	15 652	24 012	20 737	39 282	68 383	71 349	55 165	68 550	55 690	50 624
Cash and cash equivalents	50 890	28 745	42 376	75 230	105 044	89 587	153 912	236 608	284 687	332 610	107 623
Current assets	70 399	47 861	71 021	101 109	144 958	158 751	227 103	307 583	367 559	398 669	171 878
Total assets	74 132	52 293	76 197	106 045	156 173	170 355	241 497	323 684	386 649	422 663	463 049
EQUITY AND LIABILITIES											
Equity	52 538	38 584	57 037	92 144	128 394	133 578	199 277	238 051	302 419	274 431	321 211
Leasing liabilities	0	0	0	0	5 511	5 252	7 296	6 994	6 588	5 869	7 040
Total long term liabilities	500	587	751	537	6 323	5 867	8 141	7 437	7 366	6 531	54 400
Trade payables	9 949	7 196	8 570	4 633	10 063	23 285	20 941	12 392	21 976	20 525	19 363
Total short term liabilities	21 093	13 122	18 409	13 363	21 455	30 909	34 079	78 196	76 864	141 701	87 438
Total liabilities	21 594	13 710	19 160	13 900	27 778	36 777	42 220	85 633	84 231	148 232	141 838
Total equity and liabilities	74 132	52 293	76 197	106 045	156 173	170 355	241 497	323 684	386 649	422 663	463 049

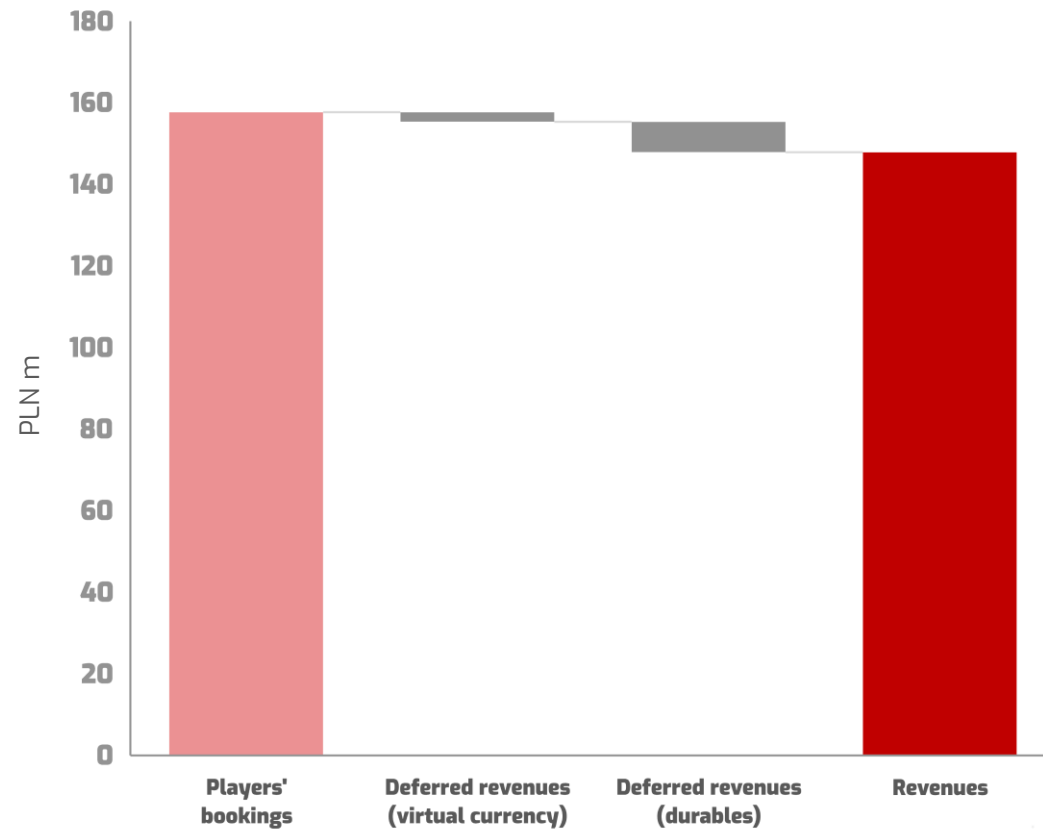
CASH FLOW REPORT



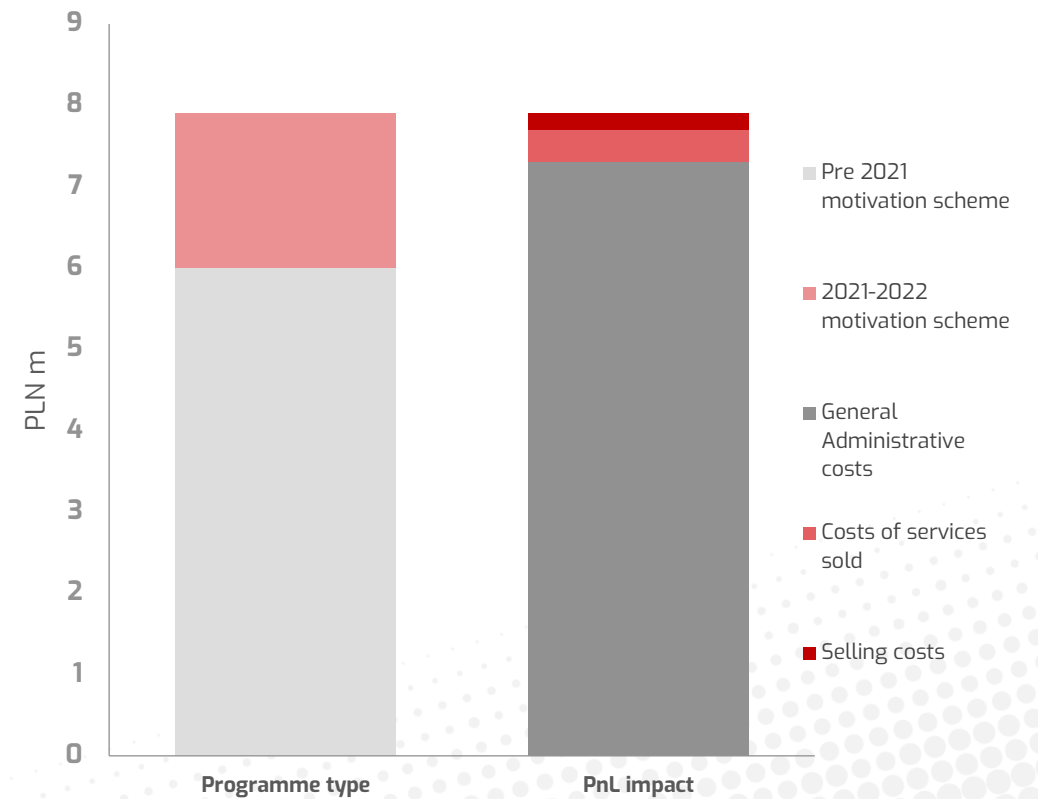
Selected positions in k PLN	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
OPERATING ACTIVITIES											
Profit before tax	12 674	15 944	22 316	33 691	39 192	28 814	65 849	37 091	58 432	37 034	31 291
Total adjustments	-299	-1 589	-7 197	671	-7 735	-6 675	2 219	49 366	5 172	22 152	16 339
Amortisation	186	270	320	374	694	737	782	873	941	978	3 305
Cash from operations	12 375	14 356	15 119	34 362	31 457	22 139	68 068	86 457	63 604	59 186	47 630
Income tax paid	-370	-8 124	-541	-738	-1 673	-8 230	-2 209	-2 296	-13 733	-1 334	-1 340
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	46 290
INVESTMENT ACTIVITIES											
Inflows	0	0	0	0	0	20	60	0	0	893	-9
Outflows	-1 002	-890	-1 097	-554	-960	-868	-1 815	-1 035	-2 909	-9 462	-216 965
Net cash flows from investing activities	-1 002	-890	-1 097	-554	960	848	-1 755	-1 035	-2 909	-8 569	-217 604
FINANCIAL ACTIVITIES											
Inflows	0	0	2	0	0	0	0	3	0	0	3
Outflows	0	-27 311	0	0	-194	-27 568	-209	-274	-274	-274	-73 245
Dividends	0	-27 311	0	0	0	-27 371	0	0	0	0	-72 673
Net cash flows from financing activities	0	-27 311	2	0	-174	-27 588	-209	-271	-274	-274	-73 242
Net cash flows total	11 003	-21 968	13 483	33 069	28 650	-14 526	63 894	82 855	46 688	49 009	-245 144

RESULTS RECONCILIATION

Q3 2021 bookings to IFRS revenues (PLN m)



Q3 2021 motivation scheme non cash costs (PLN m)

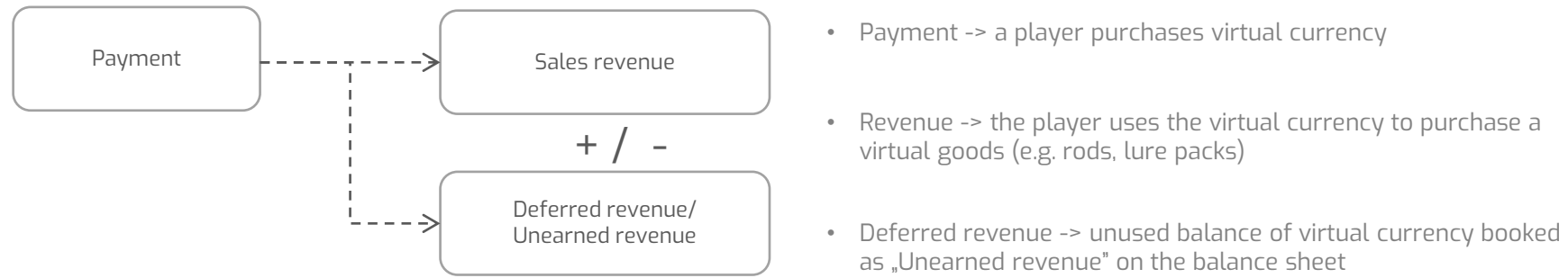


METHOD OF DETERMINING ADJUSTED EBITDA

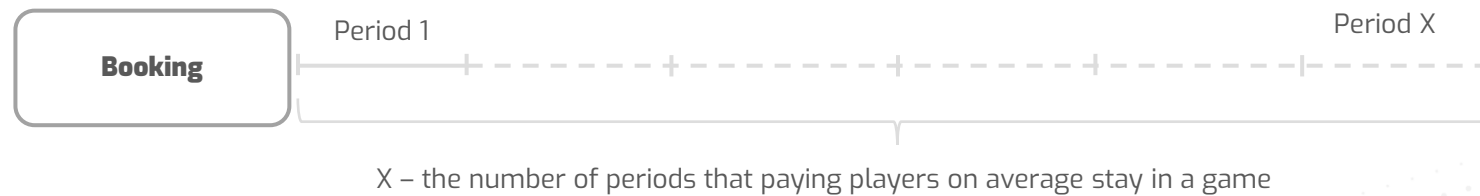
Selected items of the Profit and Loss Statement in thousand PLN	Results Q3 2021
Operating profit IFRS	31 192
Amortisation	+3 294
Write-down for impairment	+0
EBITDA IFRS	34 486
Corrections:	
Non-cash impact of the incentive programs	+7 695
Deferred result (unused virtual currency and durables)	+6 828
M&A costs	+3 669
Other	+2 143
Adjusted EBITDA	54 821

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.

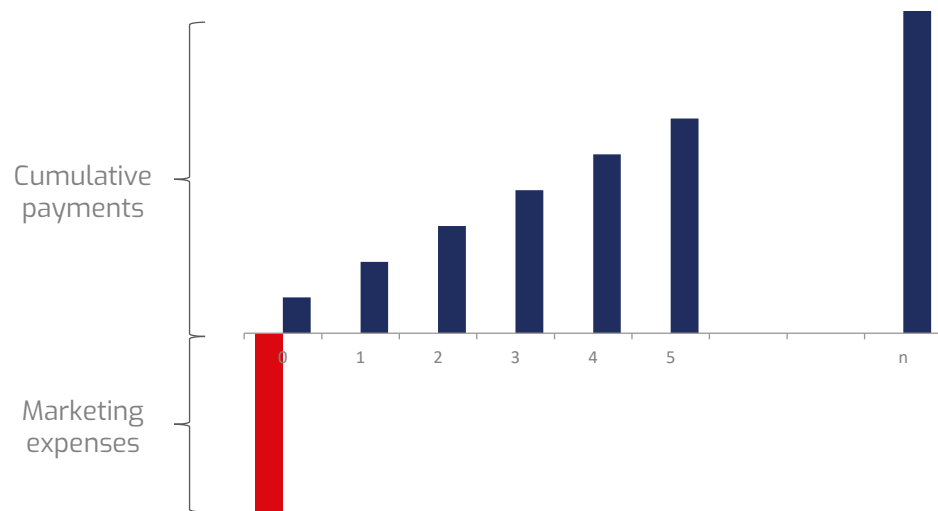
Periods from 2 to X – in each period the same value (equal to revenue recognized in period 1) is reclassified from deferred revenue to current period revenue.

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)

RORTOS RECOGNITION

Separate financial statement	Amount
Cash payment	EUR 46 696k
Discounted earn-out payments	EUR 9 800k
Value of acquired shares	EUR 56 496k
FX EURPLN rate at the acquisition date	4.5257
Total in PLN	PLN 255 683k

Consolidated financial statement	Amount
Identified assets	EUR 14 584k
Amortisation	EUR 41 912k
Settlement value	EUR 56 496k
FX EURPLN rate at the acquisition date	4.5257
Total in PLN	PLN 255 683k

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