



ten square_games

Q4 2022 RESULTS

March 29th, 2023



Q4 2022 HIGHLIGHTS



Q4 2022 HIGHLIGHTS

1 Stable Q3/Q4 performance

Q3'22 / Q4'22 Bookings

PLN 137.5M $\xrightarrow{+1\% \text{ q-o-q}}$ PLN 138.6M

Q3'22 / Q4'22 Adj. EBITDA

PLN 35.0M $\xrightarrow{+1\% \text{ q-o-q}}$ PLN 35.3M

Stable bookings and slight **decrease of cost base** led to stable Adj. EBITDA result in Q4'22 midst worsening consumer sentiment and difficult marketing circumstances.

Recovery of performance in March'23 after weaker beginning of 2023.

2 Performance drivers



+1%
of bookings
q-o-q
+6%
of bookings
y-o-y

+29%
of bookings
q-o-q

Maintained growth of bookings:
Hunting Clash, Rortos (WoH and RF5),
Let's Fish.
Strong feature pipeline for the
upcoming months for all titles.

3 User acquisition

Challenges:

- Post IDFA market environment
- Growing cost of UA
- Increasing competition on UA market

Focus on:

- Improving existing UA channels
- Entering new UA channels
- Looking for ways to effectively reach high value users in the highly competitive market reality

4 Focus on current products and new games



Addition of monetization features, competitive and social components to the game.



Improvement of monetization and work on UA acquisition.



Introduction of LiveOps and new features to the game.



KPIs of **Fishing Masters** and **Undead Clash** are tested on regular basis. The decision on further development of these projects will be made in 1H23.



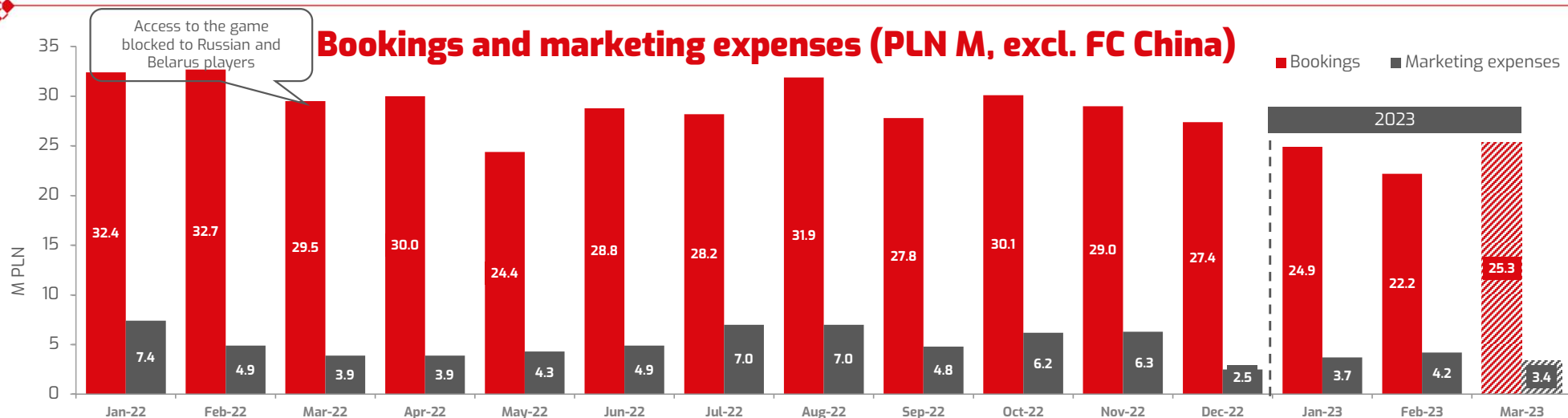
5 Macroeconomic uncertainty

Rough and unpredictable market conditions affect consumer sentiment.

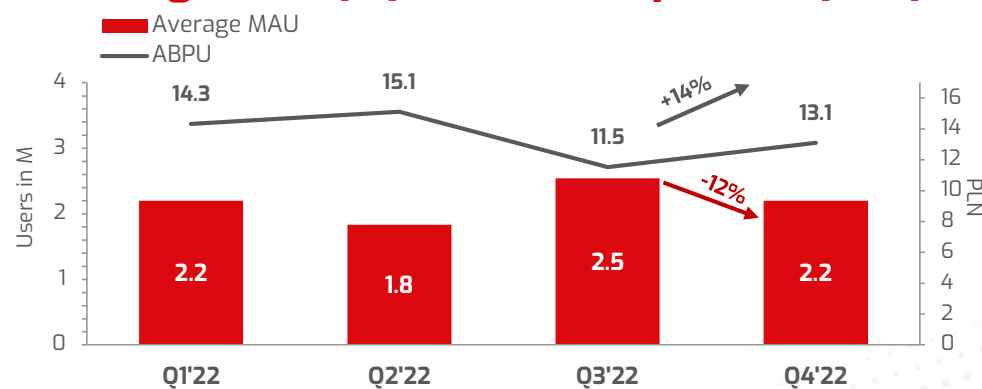
PERFORMANCE UPDATE



FISHING CLASH PERFORMANCE



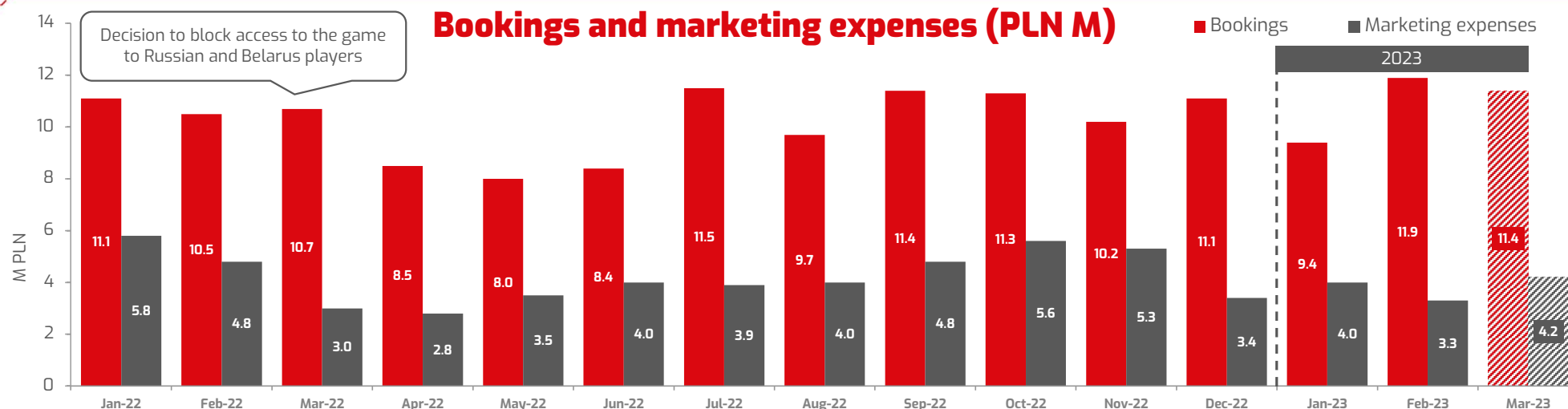
Average MAU (M) and monthly ABPU* (PLN)



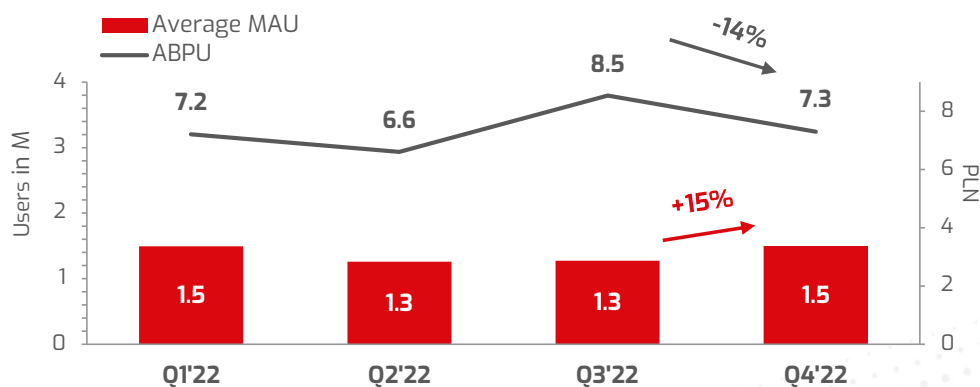
- **2% drop in bookings q-o-q in Q4'22**; weaker beginning of the year (esp. February) with **recovery of performance in March**.
- **Decrease in UA spend by 19% q-o-q** resulted in 12% decrease in MAU and 14% increase in ABPU.
- **Current focus:** improvement of technical and visual aspects of product, monetization aspects and users' journey through the game in order to increase LTV.
- **Fishing Clash** distribution in China discontinued due to NetEase reorganization. Immaterial impact on Company's performance. No immediate plans to return to game distribution in China.

*Average Bookings Per User

HUNTING CLASH PERFORMANCE



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



- **Stable bookings in Q4'22 (+1% q-o-q)** due to new features and change in monetization approach.
- February 2023 with **the highest bookings** in the game's history.
- **Almost 6% yoy growth in bookings in 2022.**
- **Current focus:** continuous game development and tests of new LiveOps approach that delivered promising results in Feb'23.

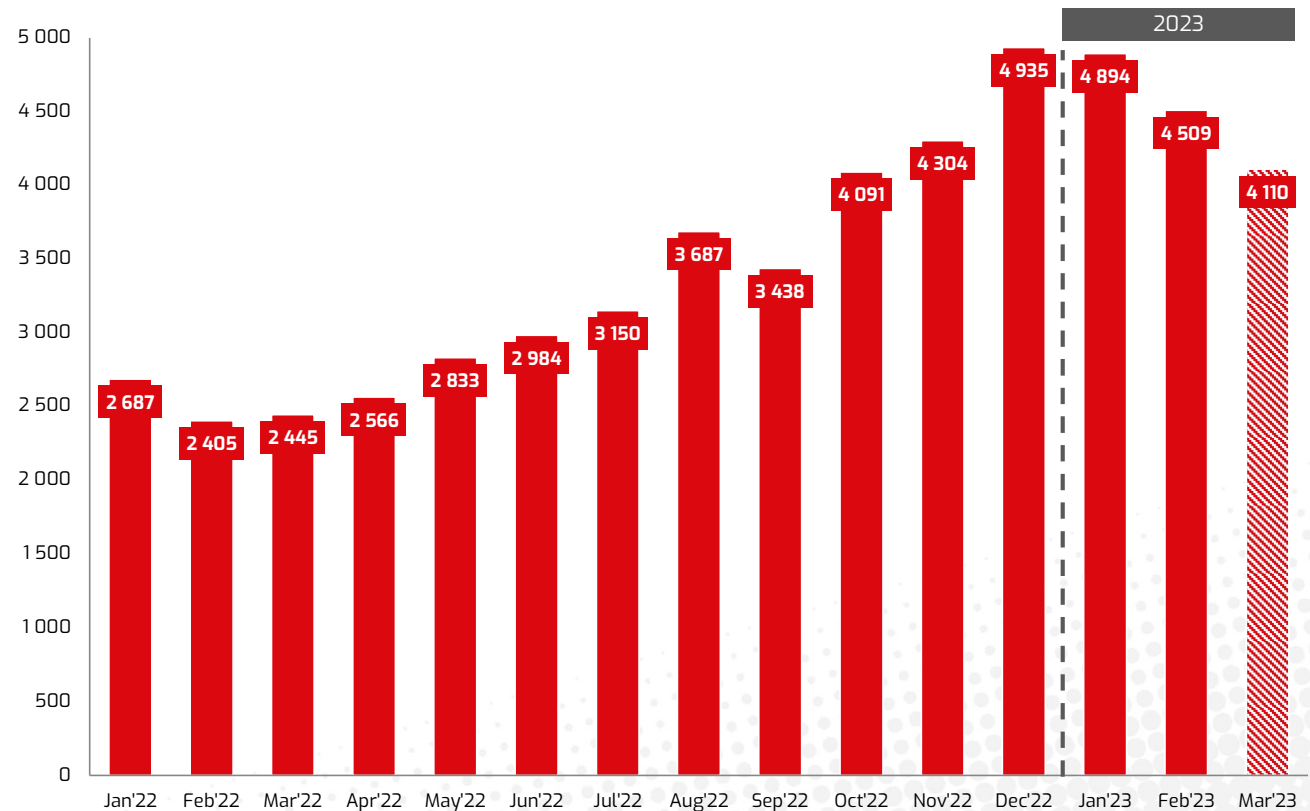
*Average Bookings Per User

RORTOS PERFORMANCE

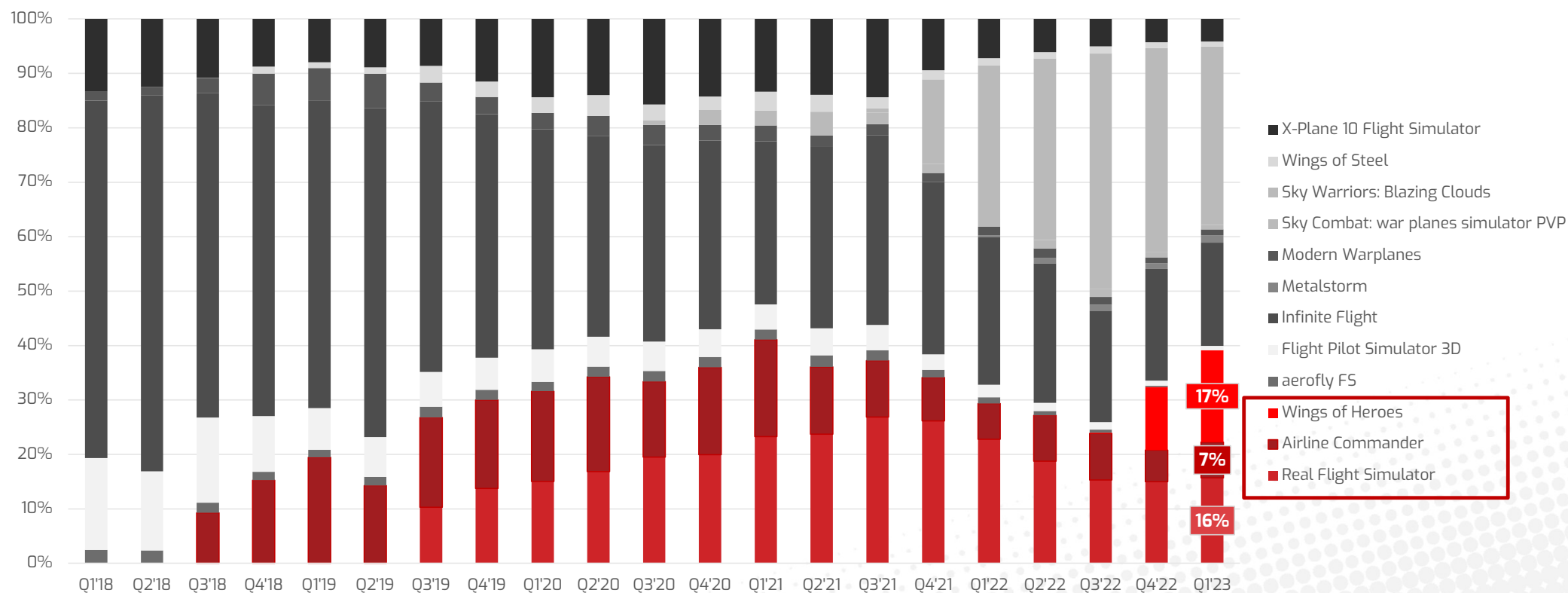


Rortos gross revenue (PLN k)

- 1 +29% q-o-q growth of bookings in Rortos in Q4'22
- 2 Wings of Heroes and RFS were the **main drivers of Rortos' growth** in Q4'22 supported by increased marketing for Wings of Heroes and release of new feature in RFS.
- 3 Wings of Heroes: focus on product's depth development (adding new content, monetization features as well as competitive and social elements).
- 4 Continued work on **Airline Commander** and **Real Flight Simulator**.

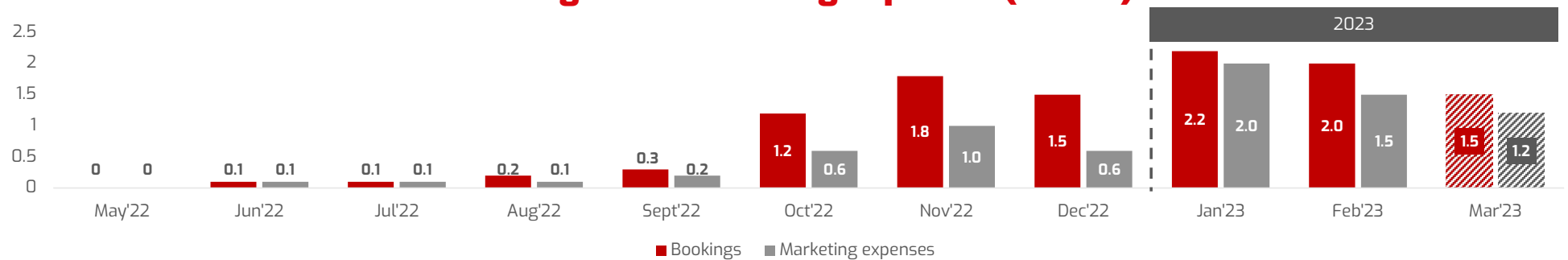


TSG IN NEW MARKET SEGMENT WITH GROWTH PROSPECTS

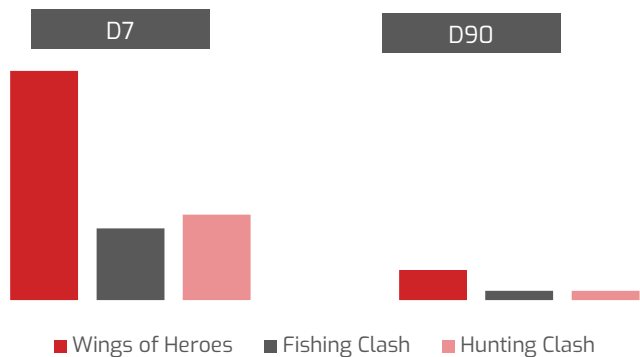


WINGS OF HEROES: PERFORMANCE AFTER GLOBAL LAUNCH

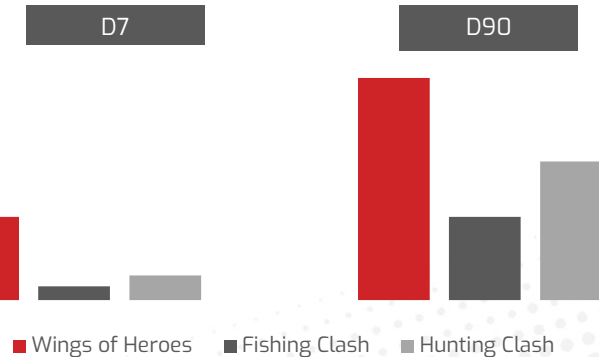
Bookings and Marketing expenses (PLN M)



Average retention



Total revenue per user



- The game has already become the #3 biggest title in Ten Square Games' portfolio in terms of daily revenue.
- Strong early performance across all dimensions: very good early LTV profile and retention rates.
- Focus: building the product depth for several following months.
- Highly experienced experts from TSG strengthened Wings of Heroes team to support development of the project (scaling up the team by 35%).

*Average retention and revenue per user D7 and D90 (for cohorts that data for 90 days is available) : Nov'22-Feb'23

PRODUCTION PIPELINE

UNDEAD CLASH

- Marketing tests of the game resulted in KPIs below expectations thus the introduction of changes in the game.
- Another round of tests will be performed in April '23. Decision about further development of the project will be made in 1H23.
- Write-down of part of the cost of previous development works (PLN 5.3M) that will not be used in a new version of the game.
- Current focus: adding content and additional mechanics to increase game's monetization potential.

FISHING MASTERS

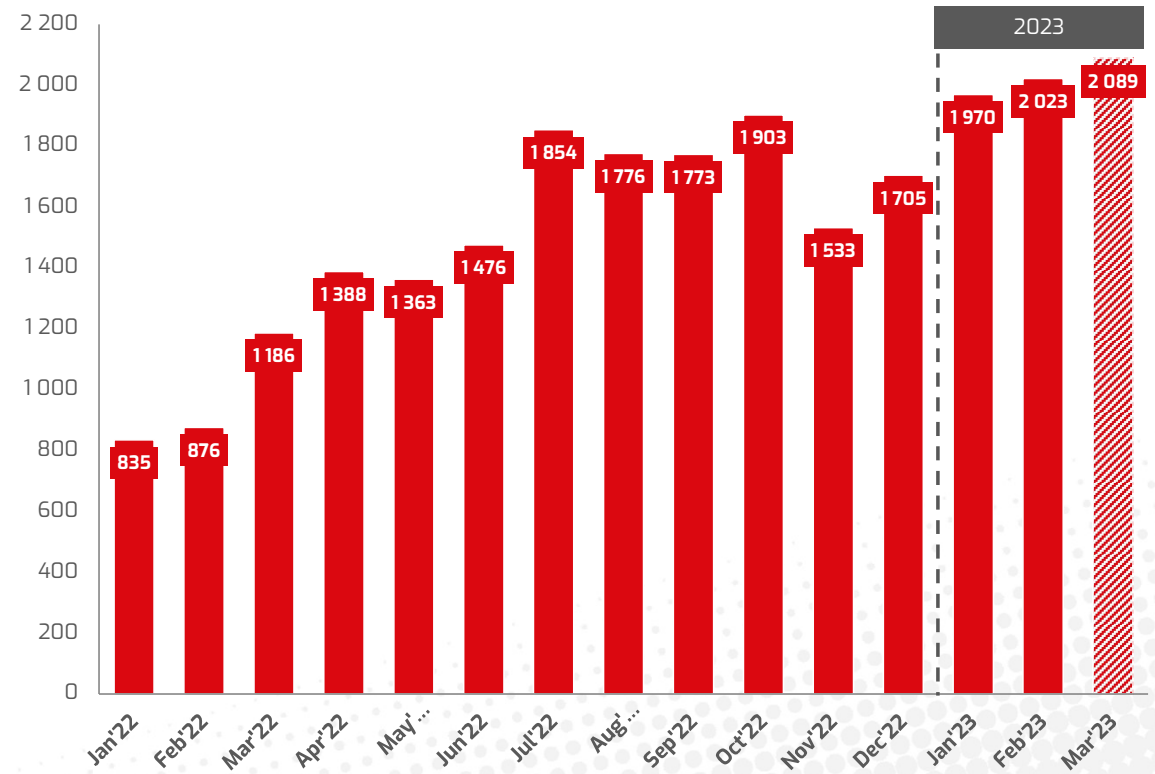
- Game addressing more casual audience than Clash games.
- February KPIs supporting further development of the game and bringing it to the soft launch.
- Constant monitoring of KPIs until soft launch of the game planned in 1H23.
- Development of the second product of the Warsaw team – Magical District - was terminated to focus team's attention on Fishing Masters (write-down of incurred cost in the amount of PLN 9.2M).

PRODUCTION PIPELINE – SOCIAL WARS IP



- Gamesture has developed strong Social Wars IP, that may be low-cost transferable into other themes.
- Monthly revenue growth of over 2.5x in the last 12 months.
- Both products, **Slash & Roll** and **The Gang** have quality KPIs; current focus is on scaling marketing efforts.
- **Hero Legacy** close to the technical launch.
- New social wars games will be tested in 2023.

Gamesture gross revenue (PLN k)



FINANCIAL RESULTS



PROFIT AND LOSS DYNAMICS

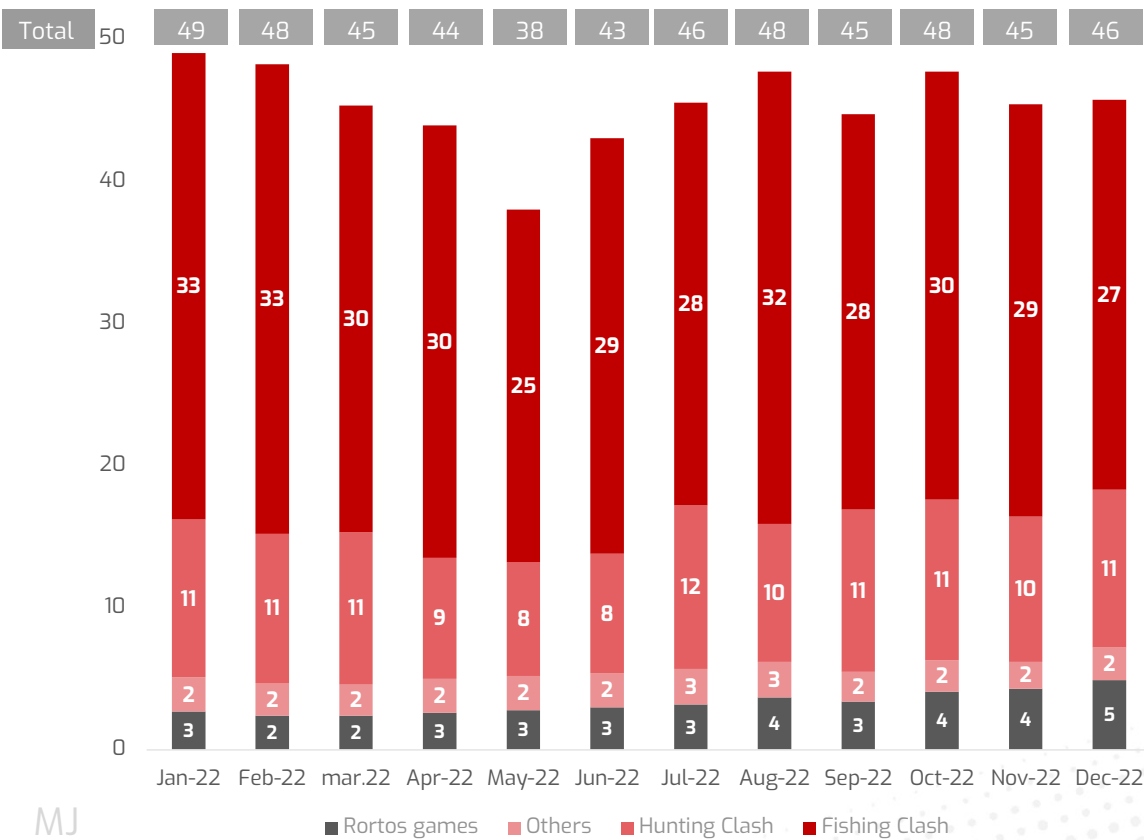
M PLN	Q1'22	Q2'22	Q3'22	Q4'22	2022
Revenues from sales	150.3	126.6	132.9	131.2	538.6
1 Bookings	142.6	123.5	137.5	138.6	542.2
Gross profit on sales	134.5	106.5	115.7	111.8	468.5
margin	89%	86%	87%	85%	87%
Selling costs, including:	79.9	67.6	78.4	79.3	305.2
2 User Acquisition costs	30.1	24.6	32.1	32.2	119.0
Commissions	41.7	35.7	38.6	38.3	154.3
3 General and Administrative costs¹	11.0	11.8	9.2	8.0	40.0
Write-downs	-	8.6	0.7	14.6	23.9
4 Adjusted EBITDA	42.1	28.4	35.0	35.3	140.8
margin	28%	23%	26%	27%	26%
5 Net Profit/Loss	25.6	14.9	19.1	-7.3	52.4

- 1 Stable bookings in Q4'22**
driven mainly by good performance of Hunting Clash, Wings of Heroes, Real Flight Simulator and Wild Hunt
- 2 Flat User acquisition costs:**
higher cost in Hunting Clash and Wings of Heroes and lower in Fishing Clash
- 3 General and Administrative costs** decreased as a result of cost optimization measures introduced in previous quarters
- 4 Adjusted EBITDA** stable q-o-q
- 5 Net result** affected by cost of write-downs

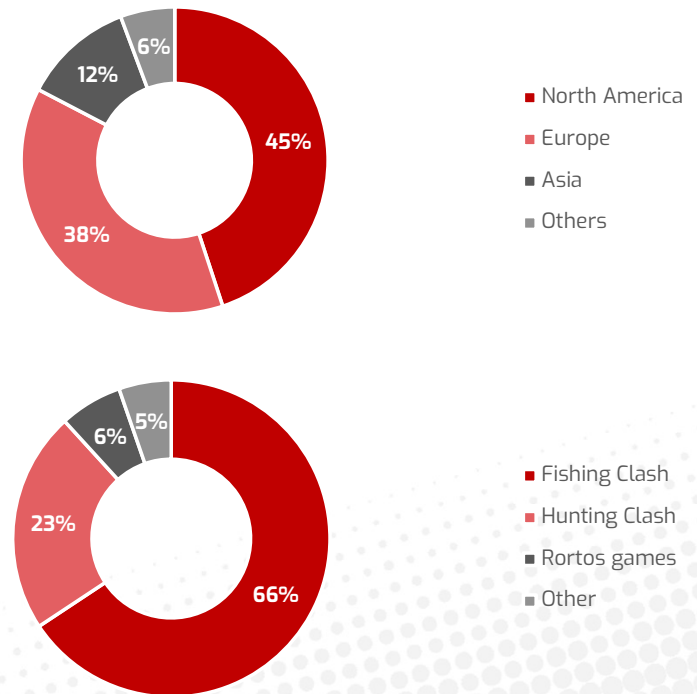
¹Results normalized by deducting non-cash expenses for share-based incentive schemes as well as the impact of booking deferred revenues – for details please refer to the backup

BREAKDOWN OF BOOKINGS

Bookings PLN M



Bookings breakdown – geographies and products in 2022



CASH FLOW GENERATION WITH A STRONG CASH POOL

M PLN	Q1'22	Q2'22	Q3'22	Q4'22
Adjusted EBITDA	42.1	28.4	35.0	35.3
Net Cash Flows from Operating Activities	53.4	30.6	31.7	22.3
Net Cash Flows from Investing Activities	(23.7)	(15.4)	(8.0)	(8.4)
Net Cash Flows from Financing Activities, including:	(19.6)	(73.5)	(1.0)	(1.1)
<dividends< div=""></dividends<>	-	(72.3)	-	-
Total Net Cash Flows	10.1	(58.4)	22.7	12.9
Cash and cash equivalents	149.3	90.9	113.3	126.6

- **Cash balance of approx. PLN 127m** at the end of Q4'22 (+12% qoq), creates an economic moat amid market headwinds

CURRENT FOCUS



CURRENT FOCUS



**UNDEAD
CLASH**



PORTFOLIO PERFORMANCE

Focus on the growth of current portfolio: Fishing Clash, Hunting Clash, Wings of Heroes



PIPELINE

Focus on finishing projects in development: Fishing Masters and Undead Clash



POST MERGER INTEGRATION AND M&A

Focus on integration and value unlocking of the acquired portfolio



MAIN RISK

Market uncertainty and deterioration of consumer sentiment

INVESTOR'S CALENDAR



INVESTOR'S CALENDAR

Company news flow:

- **Q1 2023 Sales Update:** early April 2023
- **Q1 2023 Financial report:** 22 May 2023
- **Strategic Update:** together with Q1 2023 Financial results presentation

Market conferences:

- 1st, June - 7th edition of Future in CEE - ERSTE Consumer & Technology Conference
- 6th, June - 2nd edition of Pekao Technology Conference

Q&A SESSION





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THANK YOU!

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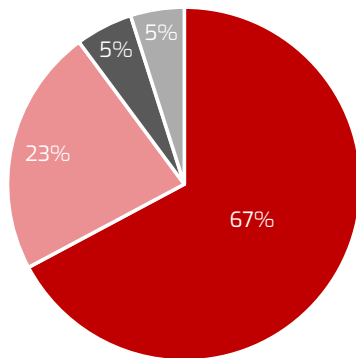
BACKUP



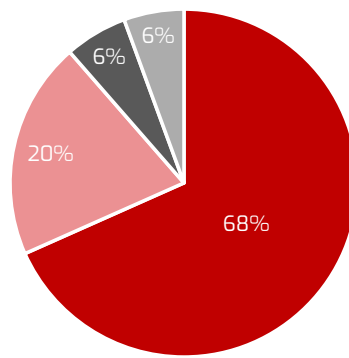
PORTFOLIO DIVERSIFICATION

Bookings' structure (%)

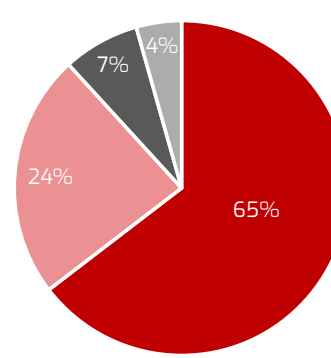
Q1'22



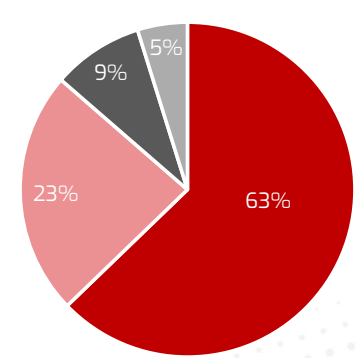
Q2'22



Q3'22



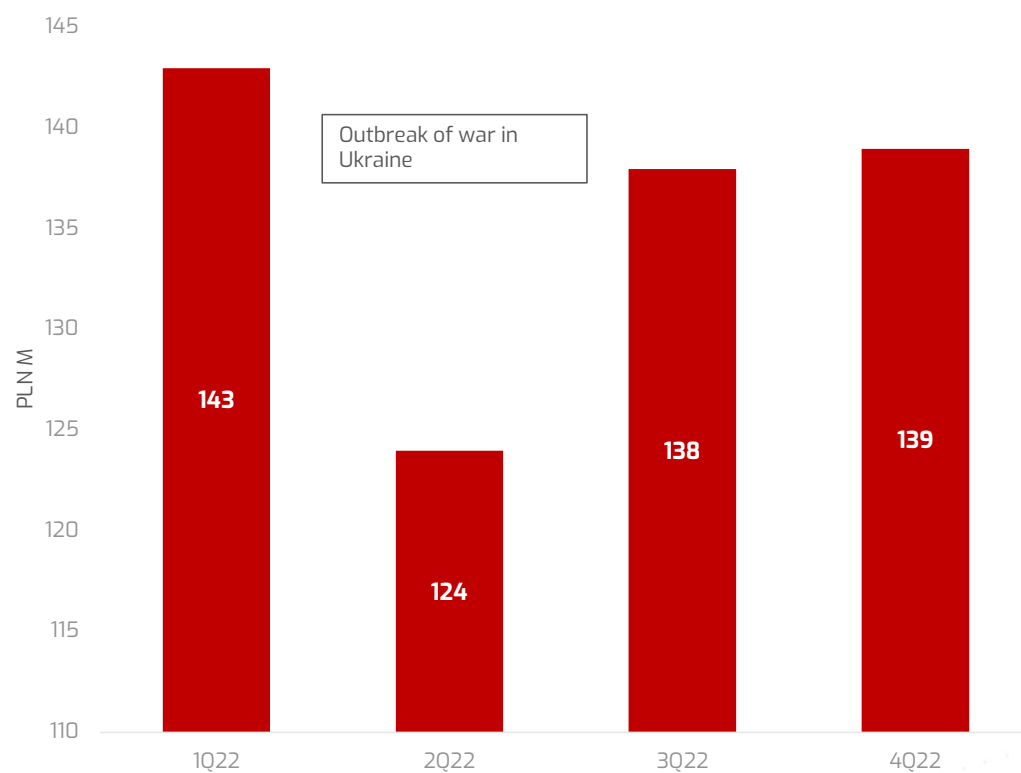
Q4'22



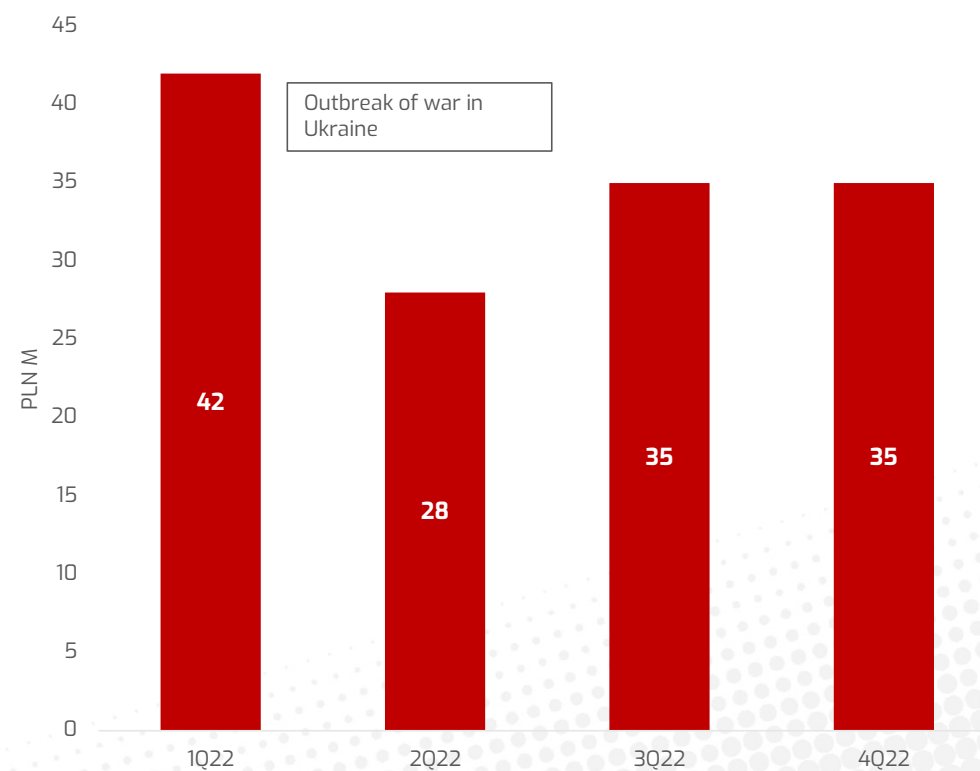
■ Fishing Clash ■ Hunting Clash ■ Rortos ■ Other

TSG'S 2022 QUARTERLY RESULTS

Bookings



Adj. EBITDA



PROFIT AND LOSS REPORT

Selected positions in k PLN	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022
Revenues from sales	578,195	174,114	164,885	147,951	147,095	634,045	150,335	124,143	132,913	131,167	538,558
Fishing Clash	562,335	131,659	114,983	114,371	121,868	482,882	95,827	84,385	88,774	86,980	355,966
Let's Fish	16,478	4,208	3,711	3,110	3,445	14,474	3,099	2,394	2,380	2,490	10,634
Wild Hunt	15,395	3,666	3,331	2,761	3,312	13,071	2,791	2,518	2,667	2,607	10,581
Hunting Clash	16,077	26,841	30,390	28,042	30,493	115,766	32,280	24,978	32,523	32,730	122,510
Wings of Heroes	-	-	-	-	-	-	-	89	674	4,496	5,259
Others	15,625	2,822	2,561	9,421	8,571	23,376	8,555	9,087	10,469	9,267	37,377
Deferred revenues	-47,714	4,918	9,908	-9,755	-20,595	-15,524	7,783	692	-4,573	-7,403	-
COGS	25,438	10,567	11,453	15,248	16,663	53,931	15,855	17,621	17,200	19,419	70,095
Gross profit on sales	552,756	163,547	153,433	132,703	130,432	580,114	134,480	106,521	115,713	111,748	468,462
GPS margin	96%	94%	93%	90%	89%	91%	89%	86%	87%	85%	87%
Selling costs	343,569	95,935	95,800	82,619	72,895	347,249	79,871	67,590	78,366	79,304	305,131
As % of revenues	59%	55%	58%	56%	50%	55%	53%	54%	59%	60%	57%
General and administrative costs	36,689	11,758	15,059	21,125	14,765	62,708	24,096	12,529	15,231	13,695	65,551
Write-downs	Note 3	-	3,761	-	-	3,761	-	8,467	0,671	14,644	23,782
EBIT	171,774	55,919	38,696	28,093	43,513	166,221	29,392	17,444	21,636	4,220	72,692
EBITDA	174,860	56,861	43,446	31,386	45,872	177,566	32,134	29,637	25,721	24,517	72,692
EBITDA margin	30%	33%	26%	21%	31%	28%	21%	24%	19%	19%	21%
Net profit	151,599	52,682	33,396	22,316	32,870	141,265	25,585	14,950	19,063	(7,262)	52,365
Net profit margin	26%	30%	20%	15%	22%	22%	17%	12%	14%	-	10%
EBITDA Adjusted	229,643	65,124	46,856	54,821	67,379	234,179	41,130	28,447	34,980	35,292	140,849

BALANCE SHEET

Selected positions in k PLN	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
ASSETS												
Fixed assets	11,215	11,604	14,395	16,101	19,091	23,994	291,171	298,866	320,497	326,192	340,728	314,138
Receivables	34,447	58,724	57,205	47,589	57,331	45,946	50,624	62,041	38,709	33,613	35,504	35,280
Cash and cash equivalents	105,044	89,587	153,912	236,608	284,687	332,611	107,632	139,553	149,281	90,931	113,267	126,595
Current assets	144,958	158,751	227,103	307,583	367,559	398,669	171,878	221,414	224,197	157,695	184,415	206,570
Total assets	156,173	170,355	241,497	323,684	386,649	422,663	463,049	520,280	544,694	483,887	525,143	520,708
EQUITY AND LIABILITIES												
Equity	128,394	133,578	199,277	238,051	302,419	274,431	321,211	351,051	372,813	318,796	354,371	342,465
Leasing liabilities	5,511	5,252	7,296	6,994	6,588	5,869	7,040	8,991	7,010	7,247	6,509	5,412
Total long term liabilities	6,323	5,867	8,141	7,437	7,366	6,531	54,400	64,993	63,456	58,245	60,584	68,221
Trade payables	10,063	23,285	20,941	12,392	21,976	20,525	19,363	6,845	18,746	22,234	20,209	13,135
Total short term liabilities	21,455	30,909	34,079	78,196	76,864	141,701	87,438	104,236	108,425	106,846	110,188	110,022
Total liabilities	27,778	36,777	42,220	85,633	84,231	148,232	141,838	169,229	171,881	165,091	170,772	178,243
Total equity and liabilities	156,173	170,355	241,497	323,684	386,649	422,663	463,049	520,280	544,694	483,887	525,143	520,708

CASH FLOW REPORT

Selected positions in k PLN	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
OPERATING ACTIVITIES												
Profit/loss before tax	39,192	28,814	65,849	37,091	58,432	37,034	31,291	35,225	30,975	18,289	20,860	(6,685)
Total adjustments	-7,735	-6,675	2,220	49,366	5,172	22,152	16,339	12,481	26,739	19,970	14,147	33,332
Amortisation	694	737	782	873	941	978	3,305	2,763	2,789	3,968	3,742	5,977
Cash from operations	31,457	22,139	68,068	86,457	63,604	59,186	47,630	47,706	57,714	38,259	35,007	26,647
Income tax paid	-1,673	-8,230	-2,209	-2,296	-13,733	-1,334	-1,340	-1,315	-4,361	-7,677	-3,314	-4,327
Net cash flows from operating activities	29,784	13,909	65,859	84,161	49,871	57,852	46,290	46,391	53,353	30,582	31,693	22,320
INVESTMENT ACTIVITIES												
Inflows	0	20	60	0	0	894	20,156	72	223	182	179	59
Outflows	-960	-868	-1,815	-1,035	-2,909	-9,462	-217,595	-13,160	-23,951	-15,585	-8,185	-8,426
Net cash flows from investing activities	-960	-848	-1,755	-1,035	-2,909	-8,569	-197,439	-13,088	-23,728	-15,403	-8,006	-8,367
FINANCIAL ACTIVITIES												
Inflows	0	0	0	3	0	0	3	0	0	0	3	0
Outflows	-194	-27,568	-210	-274	-274	-274	-73,245	-1,281	-19,553	-73,536	-1,010	-1,123
Dividends	0	-27,372	0	0	0	0	-72,673	0	0	-72,318	0	0
Net cash flows from financing activities	-174	-27,588	-210	-271	-274	-274	-73,242	-1,281	-19,553	-73,536	-1,007	-1,123
Net cash flows total	28,650	-14,526	63,894	82,855	46,688	49,009	-224,391	32,023	10,072	-58,357	22,680	12,830

METHOD OF DETERMINING ADJUSTED EBITDA

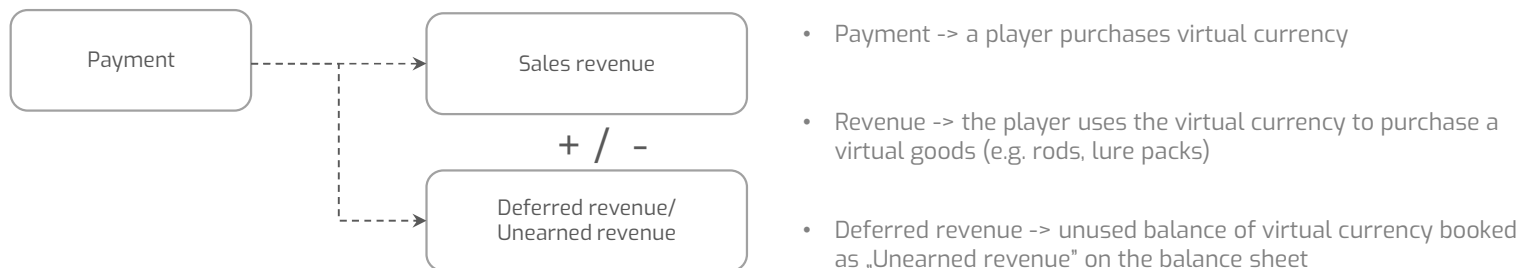
Selected items of the Profit and Loss Statement in k PLN	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
Operating profit IFRS	55,919	38,696	31,192	40,413	29,392	17,444	21,636	4,220
Amortisation	+941	+978	+3,305	+2,360	+2,742	+3,725	+3,414	+5,977
Write-down for impairment	-	+3,761	-	-	-	+8,467	+671	+14,644
EBITDA IFRS	56,861	43,435	34,497	42,773	32,134	29,637	25,721	24,517
Corrections:								
Non-cash impact of the incentive programs	+10,981	+10,971	+7,695	+10,023	+12,303	-237	+6,033	+5,542
Deferred result (unused virtual currency and durables)	+3,431	+6,848	+6,918	+14,564	-5,315	-952	+3,201	+5,182
M&A costs	-	-	+3,687	-	+1,760	-	-	+370
Other	-	-	+2,055	-	+1,248	-	+25	+32
Adjusted EBITDA	64,411	47,558	54,851	67,360	42,130	28,447	34,980	35,292

GENERAL ADMINISTRATIVE COSTS AND ONE-OFFS

General administrative costs (PLN k)	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
One-off costs								
MSOP	7,291	7,294	7,294	9,361	11,305	761	6,033	5,930
M&A	0	0	3,669	18	1,760	3	1	-3
Croatia costs	0	0	2,054	0	0	0	0	0
Normal costs								
Salaries	1,872	3,097	2,284	4,117	5,463	4,675	3,902	4,457
Subsidiaries costs	51	21	1,193	1,196	1,702	3,363	1,968	44
Office	488	513	800	752	860	1,012	1,032	1,157
Other	2,055	4,134	731	2,421	3,005	2,713	2,294	2,476
General administrative costs	11,758	15,059	18,025	17,865	24,096	12,529	15,231	13,695
Adjusted general administrative costs	4,467	7,765	5,008	8,487	11,030	11,764	9,197	8,035

ACCOUNTING PRINCIPLES FOR REVENUES – IFRS 15

Virtual currency



„Durable”



X – the number of periods that paying players on average stay in a game

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.

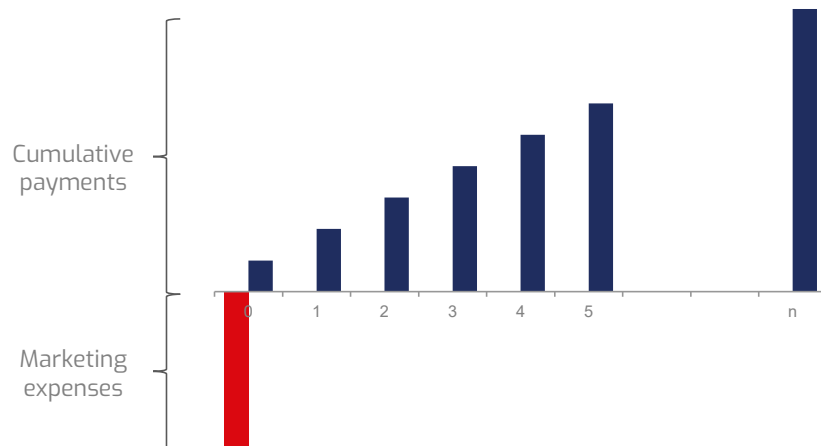
Periods from 2 to X – in each period the same value (equal to revenue recognized in period 1) is reclassified from deferred revenue to current period revenue.

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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