



LVL03



LVL05

**NEXT GAMES**

**FINANCIAL STATEMENTS BULLETIN 2018**



# BUSINESS REVIEW

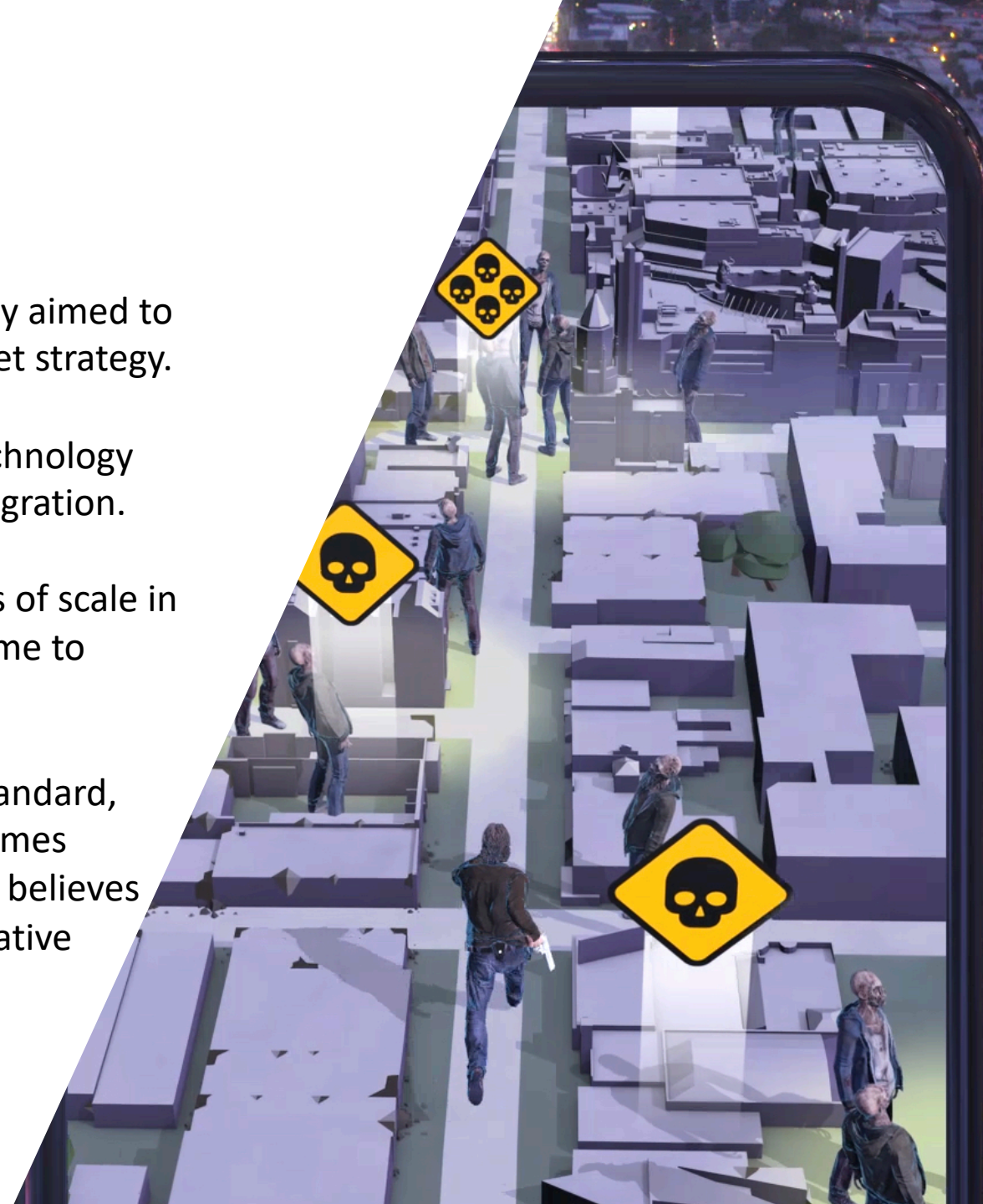
Teemu Huuhtanen  
**Chief Executive Officer**





# 2018 SUMMARY 1/2

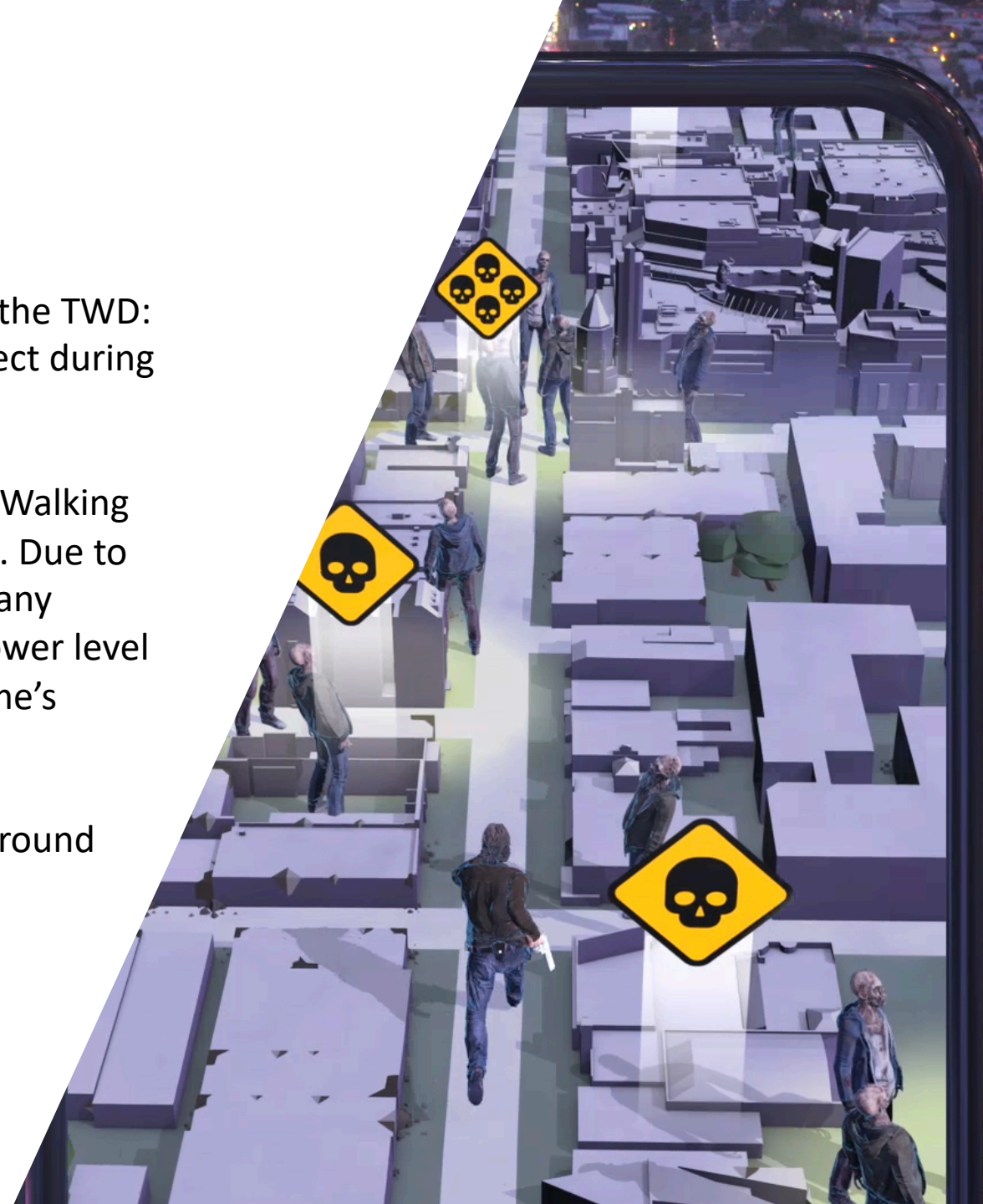
- 2018 financial result was not on the level the company originally aimed to achieve, but operationally many things went according to the set strategy.
- The company has furthered its strategic investments into its technology and analytics platforms as well as Google Maps technology integration.
- These investments will allow the company to enjoy the benefits of scale in the future, as the existing technology and tools will decrease time to market for the company's products.
- The company also carried out a transition to IFRS accounting standard, which allows reporting comparable financial figures to other games companies, according to international standards. The Company believes that a function based Profit and Loss Statement is more informative for stakeholders.





# 2018 SUMMARY 2/2

- The year was clearly divided into two parts: first gearing up for the TWD: Our World launch in July and then executing a turnaround project during the rest of the year.
- The company made significant marketing investments into The Walking Dead: Our World on a global scale in pursuit of revenue growth. Due to technical challenges, which now have been resolved, the company however had to scale back marketing investments on a much lower level than anticipated as the challenges significantly affected the game's functionality and therefore also revenue stream.
- The fourth quarter of the year the company focused on a turnaround project after a challenging third quarter.





# JULY-DECEMBER 2018

REVENUE 90%

24.8M EUR (13M EUR)

GROSS PROFIT 62%  
(62%)

OPERATING PROFIT -12.0M EUR  
(-4.2M EUR)

(2017 July-December comparison in brackets)





# JANUARY-DECEMBER 2018

REVENUE 9%

35.2M EUR (32.5M EUR)

GROSS PROFIT 60%  
(59%)

OPERATING PROFIT -16.9M EUR  
(-5.1M EUR)

(2017 January-December comparison in brackets)







# GAME DEVELOPMENT PIPELINE



# SEASON 9 MISSIONS

THE  
WALKING DEAD  
OUR WORLD



amc



NEXT GAMES



# THE WALKING DEAD: OUR WORLD

- Global launch to 153 markets in July
- First weeks challenging due to technical difficulties
- Technical challenges have been resolved towards the end of Q4/2018
- We continue to develop the game both from a technical and content perspectives





THE  
**WALKING DEAD**  
**NO MAN'S**  
**LAND**





# THE WALKING DEAD: NO MAN'S LAND

- The Walking Dead: No Man's Land development and live operations continued throughout 2018.
- Engagement and revenue on a stable level, customary to the game by utilizing a mixture of tried and tested as well as new live-operations campaigns.
- “Guild Wars” feature added, where players can team up with other players and compete to win rewards.
- The game was also released for the Japanese market in July, where it was well-received.





# KEY OPERATIONAL METRICS

Jul-Sep 2018	TWD: No Man's Land	TWD: Our World	Other
DAU	274 752	386 109	7 705
MAU	799 919	2 096 120	22 992
ARPDau (USD)	0.26	0.27	0.06
ARPDau (EUR)	0.24	0.23	0.05

Oct-Dec 2018	TWD: No Man's Land	TWD: Our World	Other
DAU	253 339	222 943	6 532
MAU	728 296	758 542	19 157
ARPDau (USD)	0.28	0.31	0.06
ARPDau (EUR)	0.25	0.28	0.05





THE OFFICIAL MOBILE GAME

# BLADE RUNNER

N E X U S



ALCON  
INTERACTIVE GROUP



NEXT GAMES



# Blade Runner Nexus

- In development throughout 2018
- Entered technical soft launch in July and opened in three additional markets after the reporting period in January 2019
- During the first half of 2019 the game's soft launch will proceed
- Information on the game's potential launch schedule released as information becomes available.



**BLADE RUNNER**



ALCON  
INTERACTIVE GROUP

**N** NEXT G



A photograph showing three people, two women and one man, looking intently at a tablet computer. The tablet is resting on a large, round, metallic tray. The background is slightly blurred, suggesting an indoor setting like a workshop or exhibition.

# Unannounced projects

- Next Games has continued to maintain relationships with key license holders throughout 2018
- New license agreement during the third quarter with a leading entertainment IP holder for an extremely sought-after license
- Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production (Jan 2019)
- Additionally, focus on internal concepting and prototyping processes to foster and improve on current technology, features and learnings
- A new project group formed around a game concept that is not attached to a third party IP at the moment.



# FOCUS ON NEW GAMES

## DIVISION OF EMPLOYEES PER FOCUS AREA

**END  
OF  
2018**

OUR WORLD

**24%**

NEW PROJECTS

**49%** (69%)

NO MAN'S LAND

**14%** (24%)

ADMIN

**13%** (7%)

**143**

EMPLOYEES

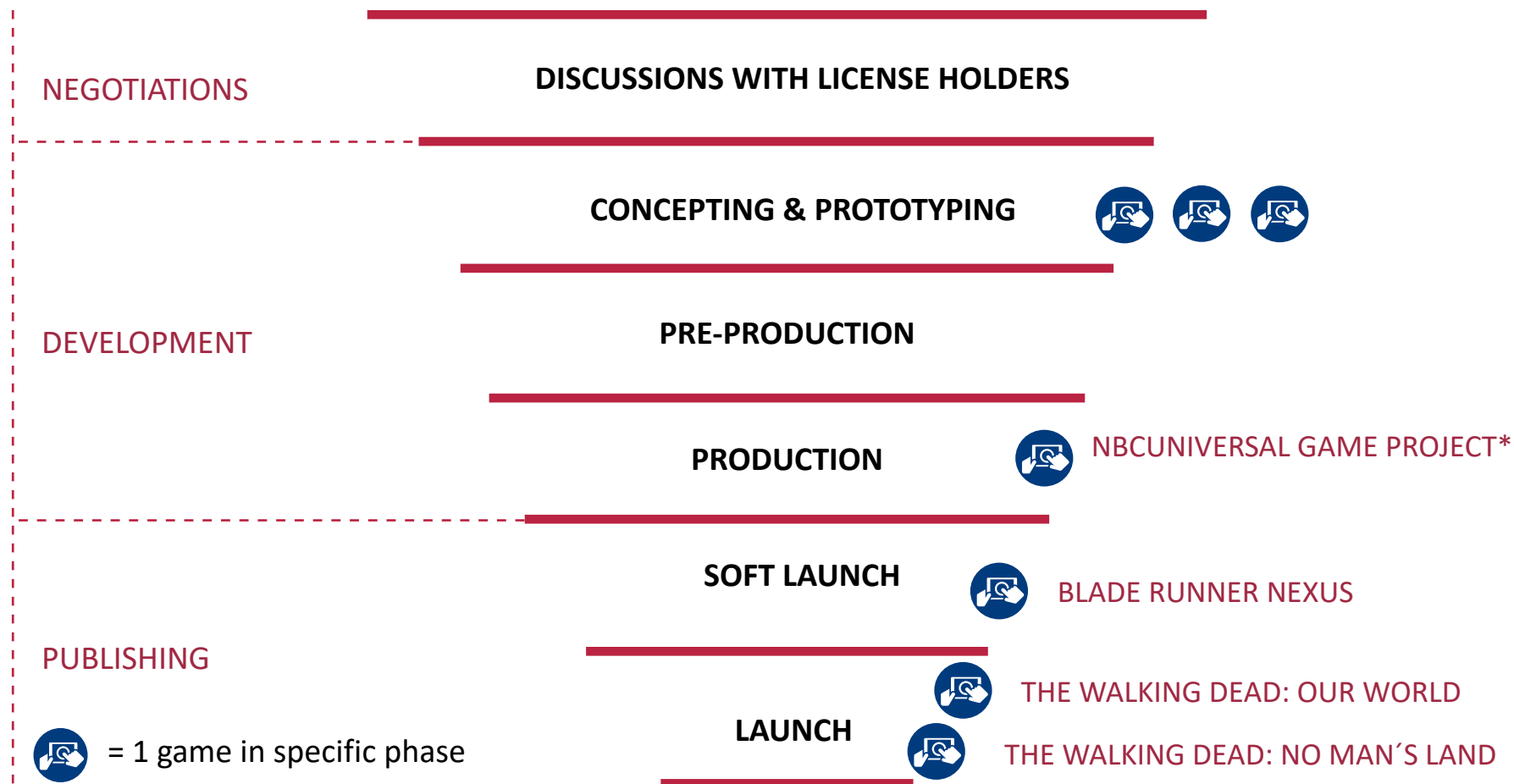
**20**

NATIONALITIES

% of staff working on Our World, No Man's Land, new projects and administration. Comparison to 2017 in brackets.







\* Game project discontinued after the reporting period in January 2019





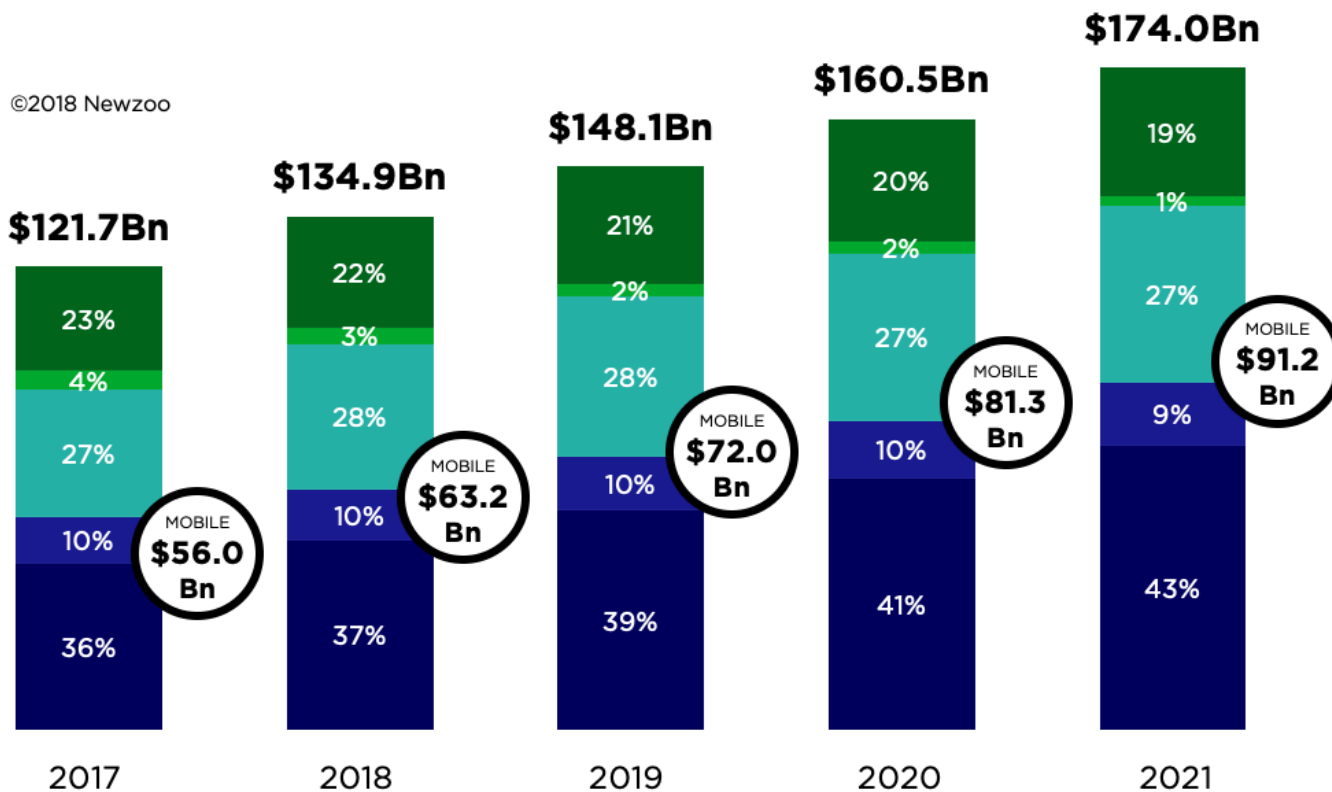
# MARKET OVERVIEW





# 2017-2021 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2021

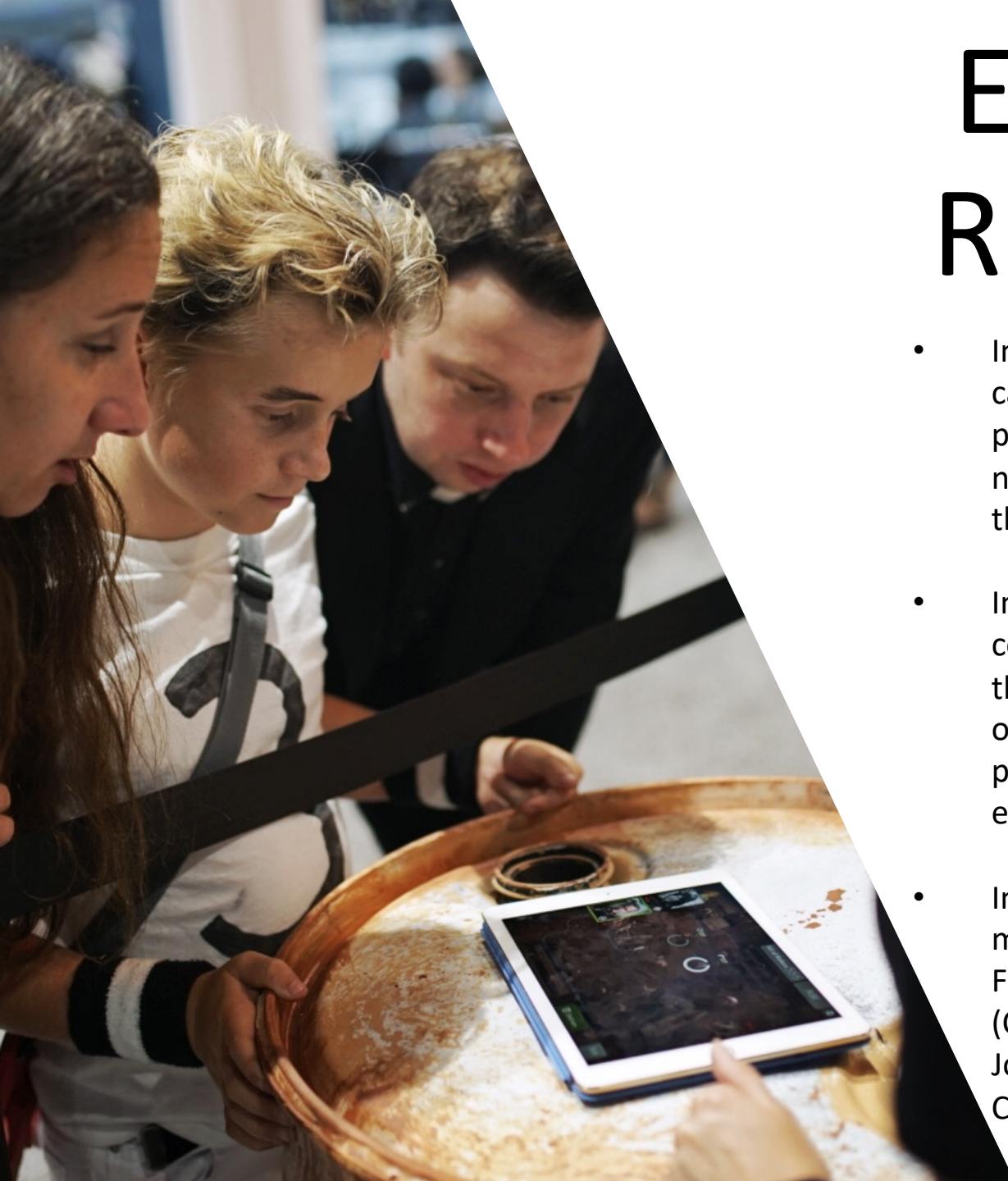


## +9.3%

TOTAL MARKET CAGR  
2017-2021

- Boxed/Downloaded PC
- Browser PC
- Console
- Tablet
- Smartphone





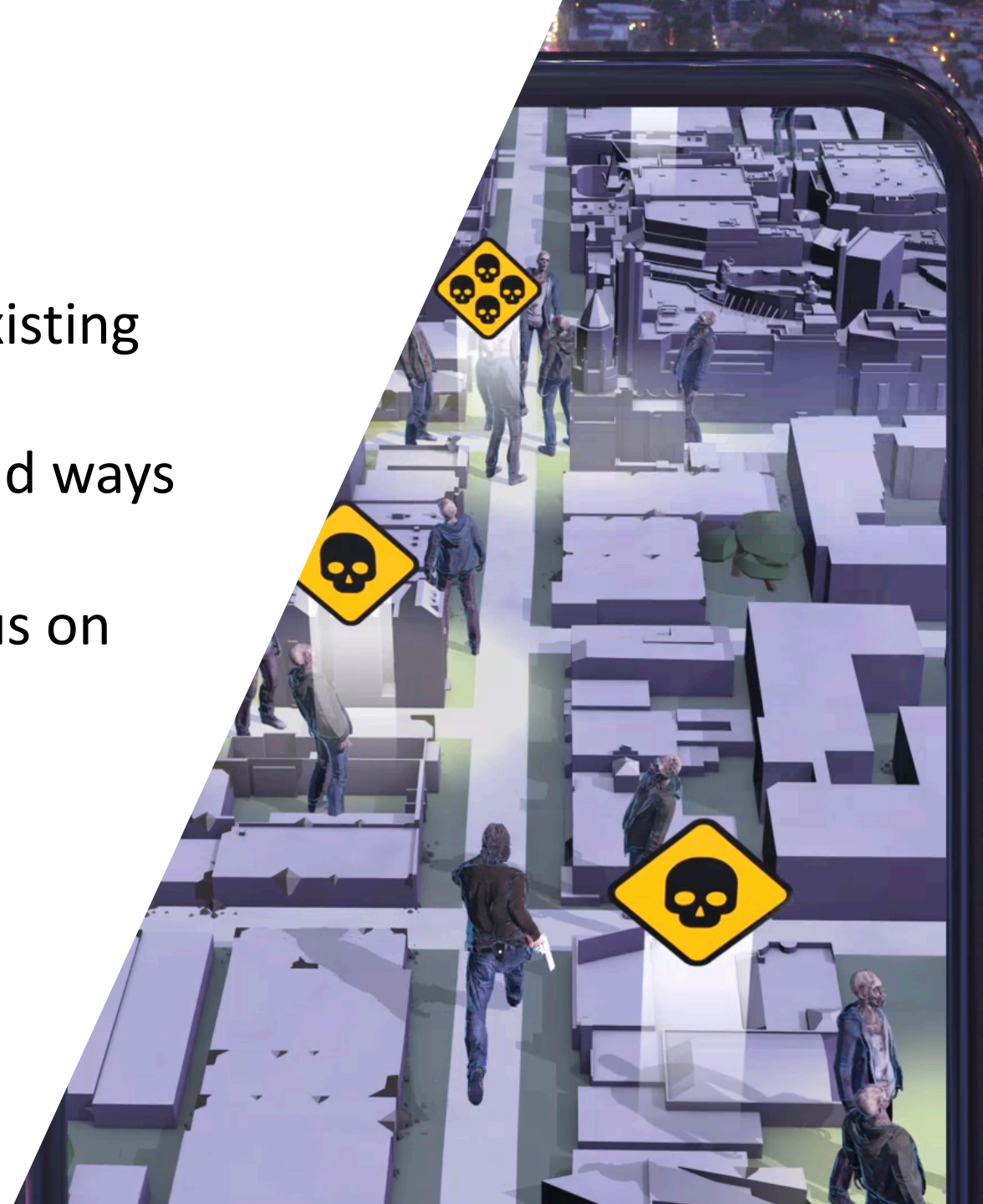
# EVENTS AFTER THE REPORTING PERIOD

- In January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production. Next Games has also started a new project group formed around a game concept that is not attached to a third party IP at the moment.
- In February 2019 the company concluded consultations proceedings concerning the company's staff as part of the company's program to review the cost structure of the company's operations and streamline its operational model. As a result of the measures taken as part of the program, the company scales down the number of staff from 143 at the end of year 2018, to 117 employees.
- In February 2019 Emmi Kuusikko, the company's Chief Product Officer and member of Next Games Management Team left the company. As of 15 February, 2019 the Management Team consists of Teemu Huuhtanen (CEO), Annina Salvén (CFO), Saara Bergström (CMO), Kalle Hiitola (CTO) and Joonas Viitala (COO). The members of the Management Team report to the CEO, Teemu Huuhtanen.



# 2019 FOCUS

- Focus on profitability, mainly from the existing games.
- Implementing new operational model and ways of working
- Product strategy changes with more focus on time to market, reusability and shifting resources to new projects





# FINANCIAL REVIEW

Annina Salvén

**CHIEF FINANCIAL OFFICER**





# CHANGE TO IFRS REPORTING

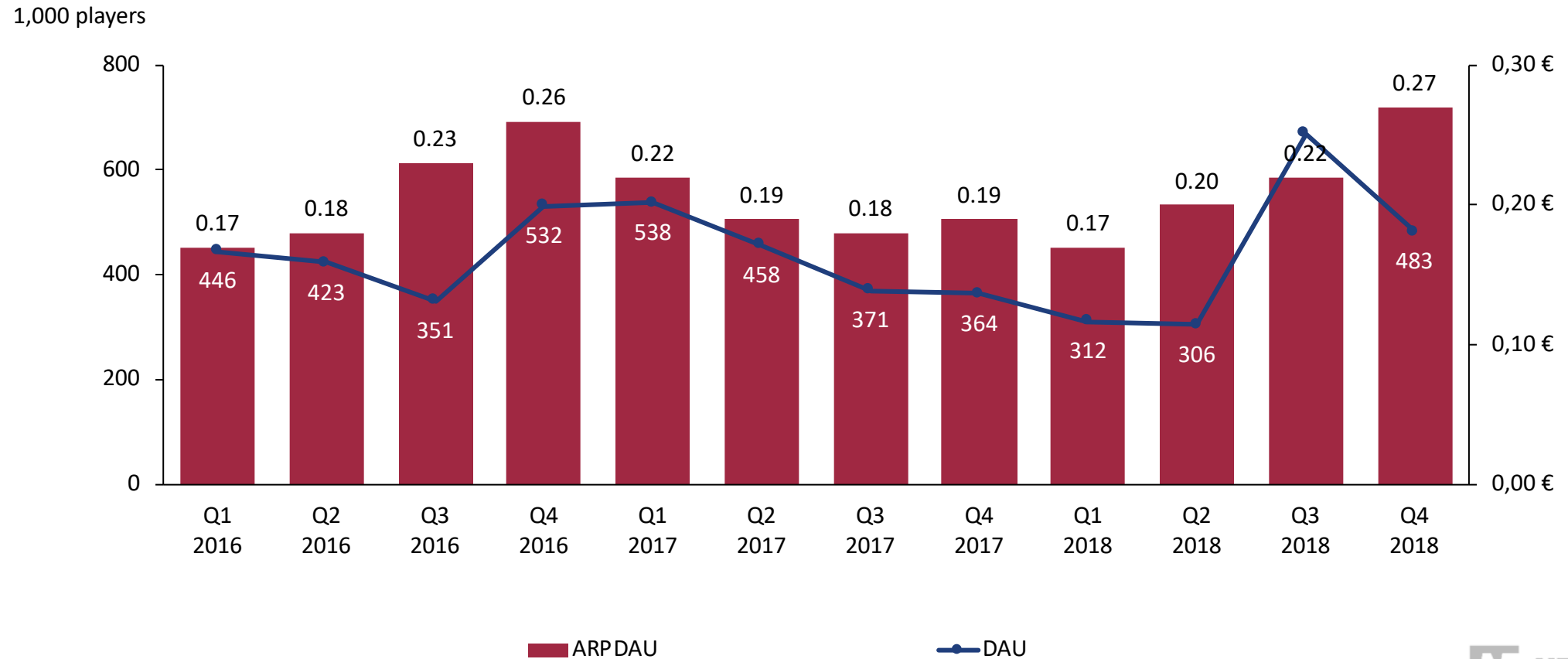
## Key adjustments for Next Games:

- Changing the PnL presentation to function based
- Capitalization of Game and Tech development costs
- Recording costs from the Equity plans
- New leased office space is recorded to balance sheet

**Total impact to PnL in 2018: +3.6 Million Euros**

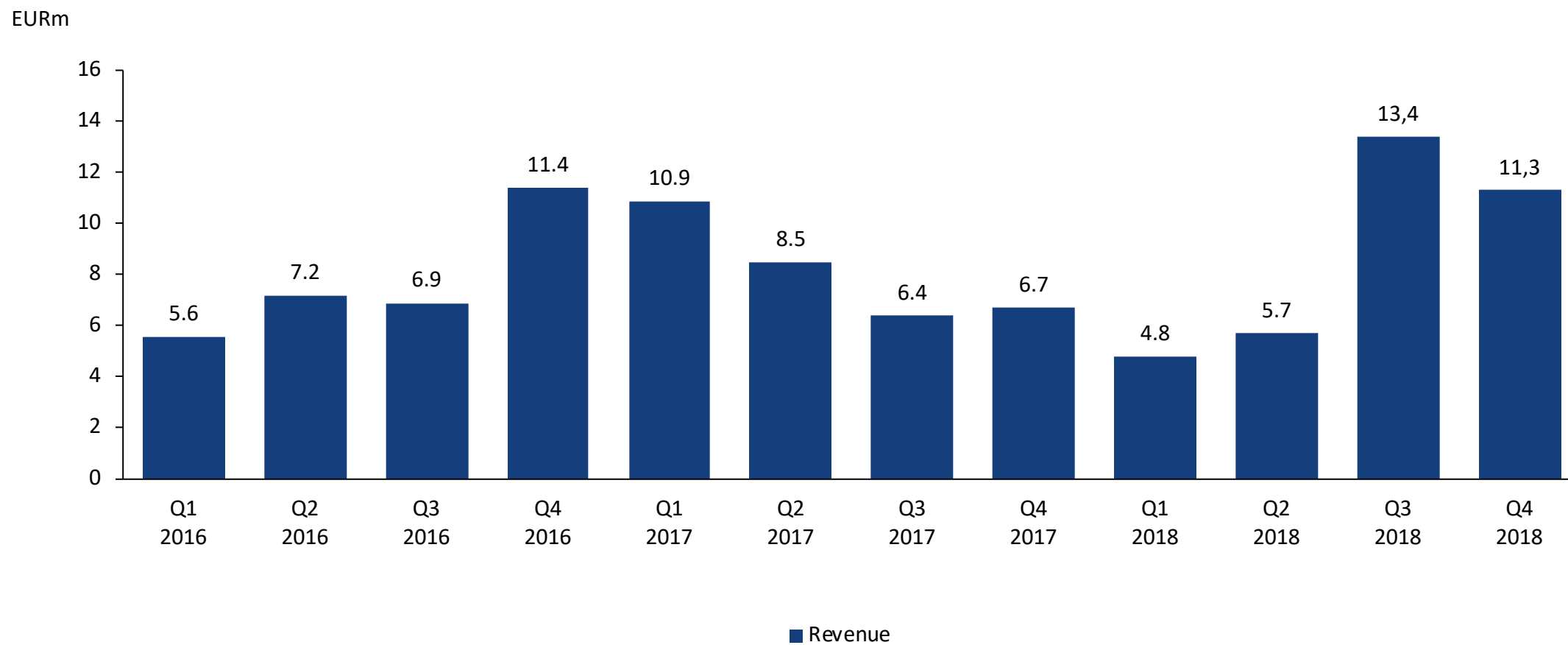
# Operational Metrics

## DAU AND ARPD AU

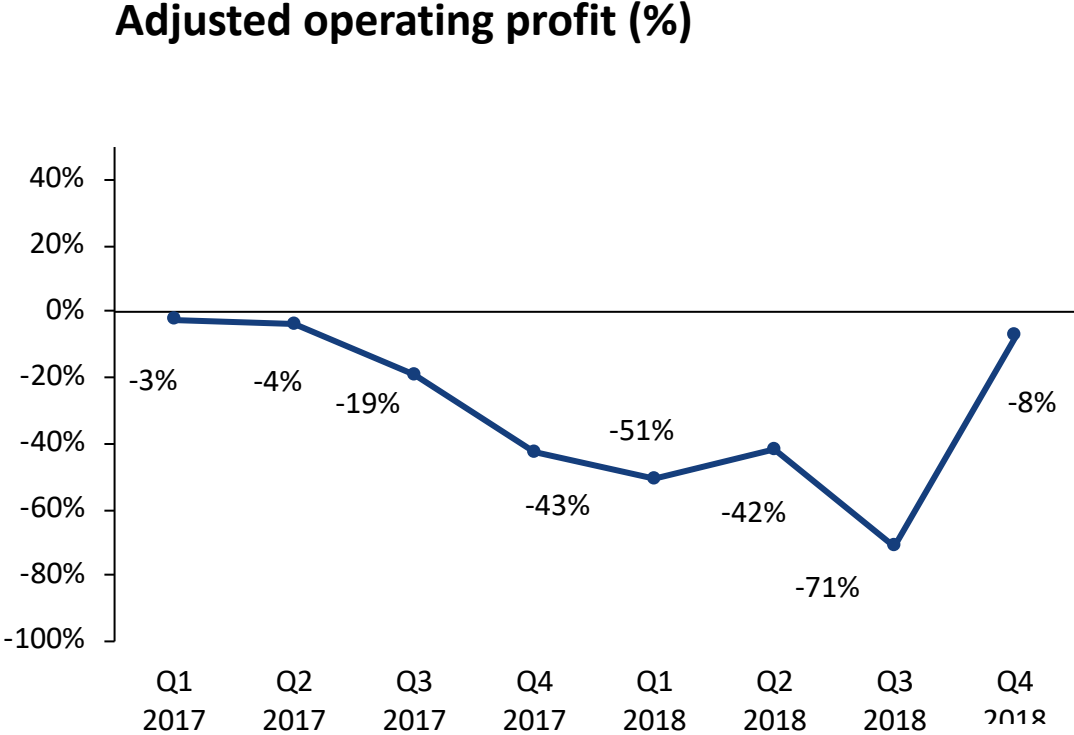
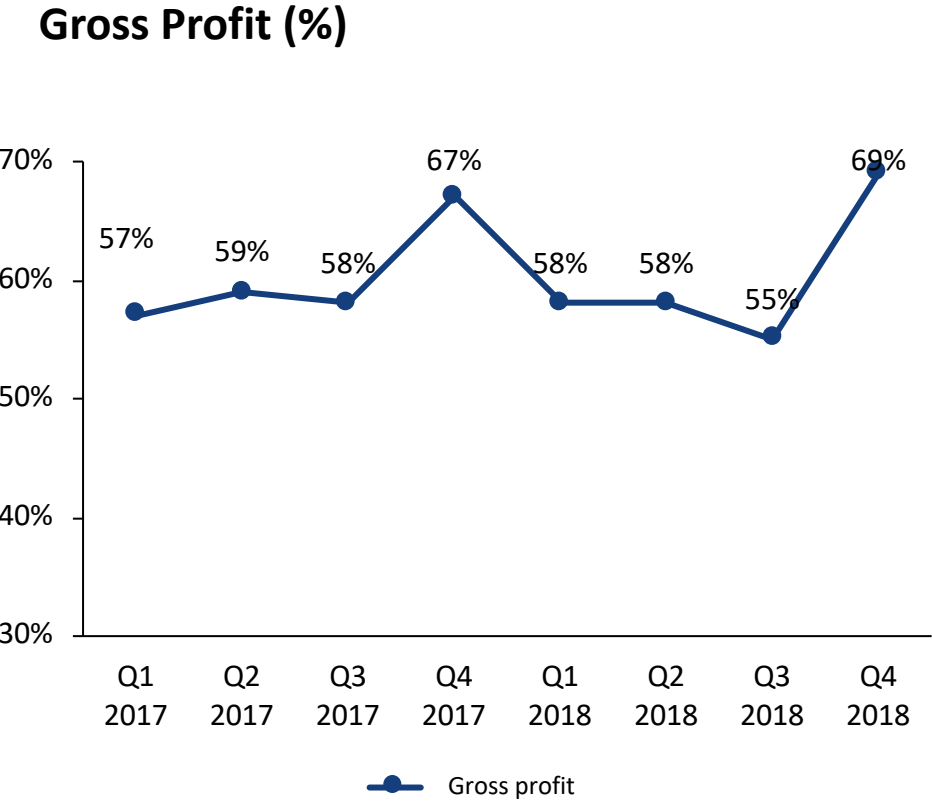




# Revenue



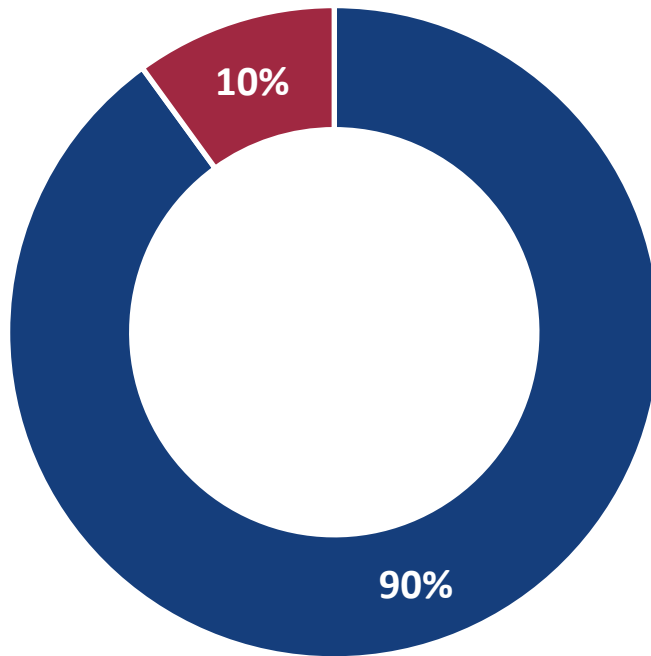
# Gross Profit and Adjusted Operating Profit





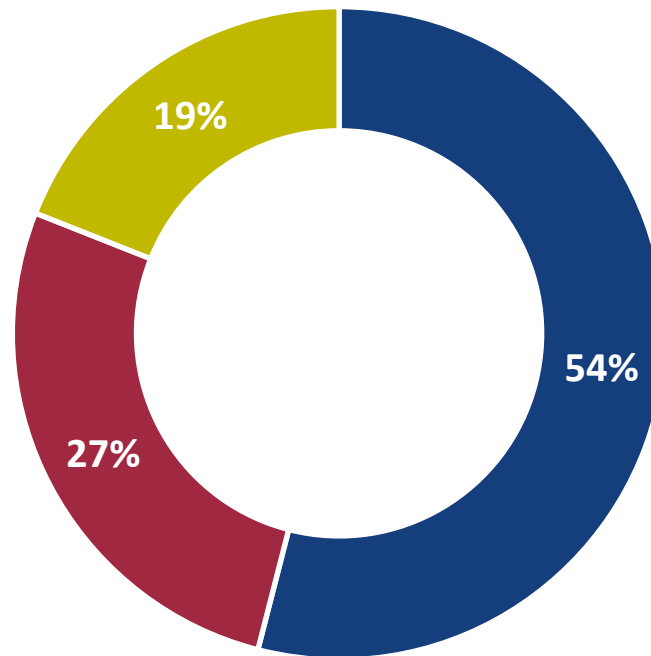
# Gross Bookings

GROSS BOOKINGS BY SOURCE



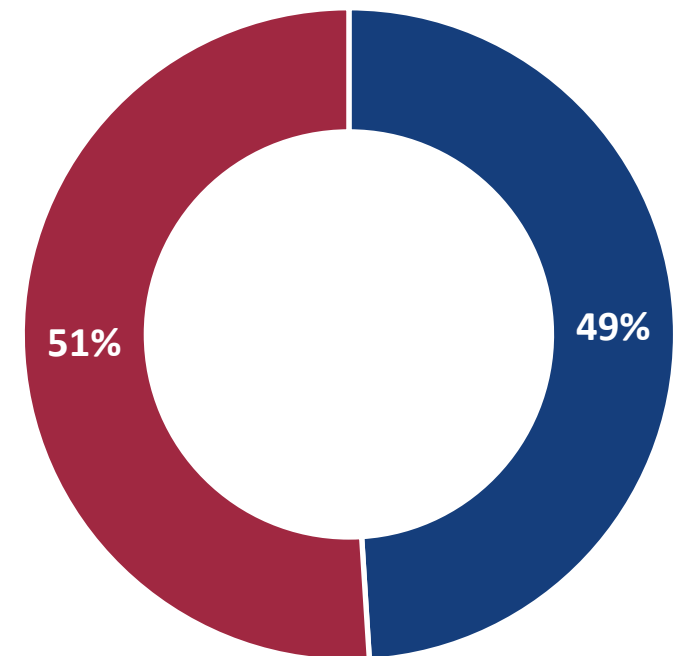
■ In App Purchases (IAP) ■ Ad sales (AD)

GROSS BOOKINGS BY GEOGRAPHY



■ North America ■ EU countries ■ Other

GROSS BOOKINGS BY PLATFORM



■ Android ■ iOS

# Profit and Loss Statement

EUR thousand	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017
<b>Total revenue</b>	35,245	32,466
Cost of Revenue	-13,952	-13,158
<b>Gross profit</b>	21,294	19,308
Other operating income	71	53
R&D total	-10,418	-7,034
Sales and Marketing total	-23,643	-12,713
Admin total	-4,218	-4,686
<b>Operating profit</b>	-16,915	-5,071
Finance income	757	37
Finance costs	-608	-541
<b>Finance costs - net</b>	149	-504
<b>Share of associates' profit/loss</b>	-122	-455
<b>Profit (loss) before taxes</b>	-16,887	-6,031
Current income taxes	-143	-
Change in deferred tax	-1,008	-106
<b>Profit (loss) of the year</b>	-18,037	-6,137
Profit (loss) for the period attributable to:		
Owners of the parent	-18,037	-6,137
Basic earnings per share, EUR	-0.99	-0.37
Diluted earnings per share, EUR	-0.99	-0.37



# RESEARCH AND DEVELOPMENT

1000 EUR	2018	2017
Employee Expenses	-6,456	-4 449
Purchases and Services	-4,050	-1 962
Capitalization of R&D	4,965	2 369
IFRS 2 adjustment	-591	-754
Depreciations	-725	-112
General Cost allocation to R&D function	-3,561	-2 126
	-10,418	-7 034

# Balance Sheet

EUR thousand	Dec 31, 2018	Dec 31, 2017
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	10,347	6,776
Goodwill	3,344	3,344
Property, plant and equipment	6,734	275
Shares of associates	388	509
Long-term debtors	395	820
Deferred tax assets	1,621	2,629
<b>Non-current assets total</b>	<b>22,829</b>	<b>14,353</b>
<b>Current assets</b>		
Trade and other receivables	6,339	4,979
Cash and cash equivalents	7,306	26,377
<b>Current assets total</b>	<b>13,646</b>	<b>31,356</b>
<b>Total assets</b>	<b>36,475</b>	<b>45,709</b>

EUR thousand	Dec 31, 2018	Dec 31, 2017
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital	80	80
Invested non-restricted equity reserve	53,925	53,866
Retained earnings	-13,091	-8,437
Profit (loss) for the period	-18,037	-6,137
<b>Shareholders' equity</b>	<b>22,876</b>	<b>39,372</b>
<b>Liabilities</b>		
<b>Non-current</b>		
Non-current governmental agency loan	518	642
Lease liabilities	4,145	-
<b>Non-current liabilities total</b>	<b>4,663</b>	<b>642</b>
<b>Current</b>		
Current governmental agency loan	222	84
Lease liabilities	992	224
Deferred revenue	1,458	914
Trade payables	2,731	1,162
Other liabilities	204	205
Accruals and deferred income	3,329	3,105
<b>Current liabilities total</b>	<b>8,936</b>	<b>5,694</b>
<b>Liabilities total</b>	<b>13,598</b>	<b>6,336</b>
<b>Equity and liabilities total</b>	<b>36,475</b>	<b>45,709</b>



# Cash Flow Statement

EUR thousand

	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017
<b>Cash flows from operating activities</b>	<b>-12,004</b>	<b>-4,111</b>
<b>Cash flows from investing activities</b>	<b>-6,736</b>	<b>-2,487</b>
<b>Cash flows from financing activities</b>	<b>-555</b>	<b>29,772</b>
Net decrease (-)/increase in cash and cash equivalents	-19,295	23,173
Cash and cash equivalents at the beginning of the period	26,377	3,664
Exchange gains/losses (-) on cash and cash equivalents	224	-459
<b>Cash and cash equivalents at the end of period</b>	<b>7,306</b>	<b>26,377</b>

# UPCOMING EVENTS

**27 FEBRUARY, 2019**

Annual Report

**26 April, 2019**

Q1/2019 Business Review

**21 May, 2019**

Annual General Meeting





# QUESTIONS?



Nasdaq Helsinki First North: NXTGMS

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