



NEXT GAMES™

Q1

Next Games Corporation

BUSINESS REVIEW

January – March 2017



Next Games Corporation Business Review Q1 2017 - Successful Listing on Nasdaq Helsinki First North, Q1 2017 Revenue Doubled, Business Profitable

January – March 2017 in short:

- Revenue grew by 96% at 10.9 million euros (€5.6M)
- Gross margin was 3.9 million euros (€0.05M)
- EBITDA 539 thousand euros (-€3.0M)
- Listing expenses 544 thousand euros (€0.0M)
- Operating profit percentage 3% (-56%)
(comparison to January - March 2016 in brackets)

Key Financial Figures

(EUR 1000)	1-3/2017	1-3/2016	1-12/2016
Revenue	10,932	5,586	31,112
Gross Bookings	10,432	6,852	33,593
Gross Margin	3,938	54	8,252
Operating profit (-loss) (EBIT)	369	-3,107	-1,582
EBITDA	539	-3,008	-1,155
Adjusted EBITDA	798	-2,283	-709
As percentage of revenue			
Gross margin (%)	36%	1%	27%
EBITDA margin (%)	5%	-54%	-4%
Operating result (%)	3%	-56%	-5%
As percentage of gross bookings			
Adjusted EBITDA margin (%)	8%	-33%	-2%

Gross Bookings does not include deferrals related to sales.

Adjusted EBITDA is defined as operating profit, adjusted for depreciations, deferrals related to sales, licenses and commissions, as well as adjusted for listing expenses.

Key Operational Metrics

Definitions related to key operational metrics can be found at the end of this document.

	1-3/2017	1-3/2016
DAU	537,659	446,483
MAU	1,613,571	1,944,265
ARPDau (USD)	0.23	0.19
ARPDau (EUR)	0.22	0.17

Chief Executive Officer Teemu Huuhtanen:

The most important event during the first quarter was our extremely successful listing on the Nasdaq Helsinki First North marketplace. Next Games was the first mobile game company to list publicly in Finland and we did our part in turning the next chapter in the history of games by creating new practices within the Finnish games industry.

The listing plays a key role in supporting Next Games' growth into an even stronger mobile game company. The initial public offering was significantly oversubscribed and immediately after the listing we had over 4000 shareholders. Among these, many notable institutional investors such as Swedbank Robur Fonder AB, certain funds managed by OP Fund Management Company Ltd, Ilmarinen Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company and certain funds managed by VISIO Varainhoito Oy.

Approximately 46 percent of the demand in the offering came from institutional investors in Finland, approximately 45 percent from institutional investors internationally and approximately 9 percent from private individuals and entities in Finland. This is a clear indication of the credibility of our growth strategy amongst both international and Finnish investors.

During the first quarter we continued active development of The Walking Dead: No Man's Land game, which shows in the exceptional year-on-year development of our ARPAU metric and in doubled revenue compared to the same period the previous year. In addition, Next Games has two other mobile games based on international licensed IP in different stages of development. Next Games is hence firmly executing our growth strategy with the intention to launch at least one game every year starting from 2018.

Our team grew to 77 employees as we reinforced the teams building new products during the first quarter. Next Games' strong, value-based culture, the autonomy of our product teams and the openness of our internal communications has been a great benefit in recruiting experienced professionals. The focus on our personnel was also reflected on our placement on the esteemed Great Place To Work organization's Best Workplaces survey as the only Finnish game company to make the list.



Teemu Huuhtanen

Chief Executive Officer
Next Games



Revenue and Earnings Development

Compared to the first quarter of 2016, Next Games’ revenue grew exceptionally and the company’s growth was profitable during the first quarter of 2017.

During the corresponding period in 2016, Next Games had two live games in the market, The Walking Dead: No Man’s Land and Compass Point West. Therefore Next Games’ player network (measured by MAU) was bigger during Q1 2016. Active development and marketing activities for Compass Point: West were however ceased in March 2016, when the company decided to focus on its licensed IP game strategy. The Walking Dead: No Man’s Land game received continuous content updates during the first quarter of 2017.

Both the growth of daily active users and the growth of ARPDau contributed towards profitability, compared to the same period in 2016. Next Games’ investment into the listing led to a very successful outcome. Expenses related to the listing had an effect on profitability during the first quarter, as Adjusted EBITDA does not include listing expenses it is a useful measure for Next Games’ results of operations during the period.

Next Games negotiated a new agreement on a licensed IP game during the first quarter. As a result, legal and travel expenses grew to a higher level than usual.

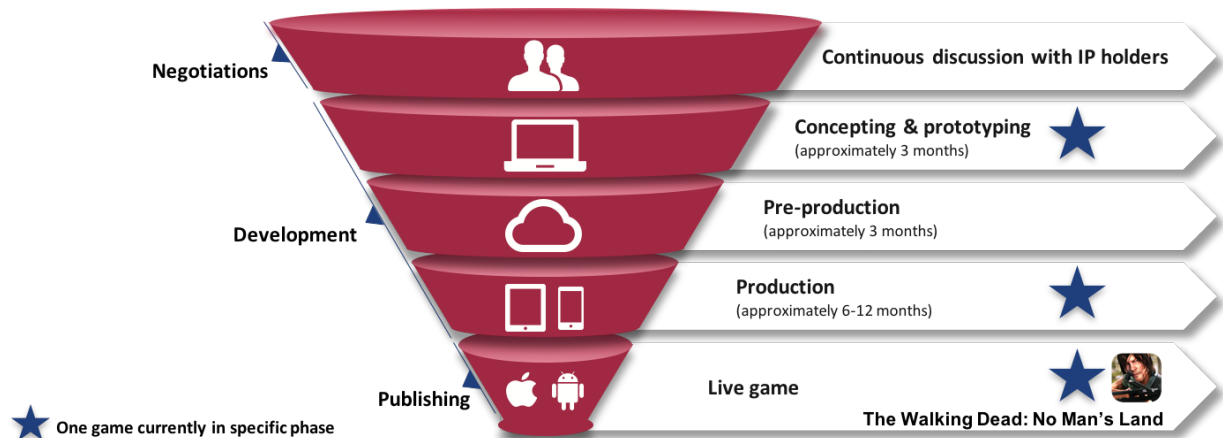
Listing Expenses’ Effect on Operating Result

Expenses related to listing on Nasdaq First North Helsinki amounted to 3.25 million euros. During the first quarter of 2017, 544 thousand euros in costs directly affect the P&L, whereas the remaining 2.7 million euros have been capitalized on the balance sheet, and thus affect result of operations through depreciations over the next three years.

Strategy and Business Outlook

During the first quarter 2017, in accordance of its strategy, Next Games focused on developing its main product, The Walking Dead: No Man’s Land as well as developing new games based on licensed IP, such as movies and TV shows. Currently Next Games has two new games based on licensed IP in development. The company aims to launch at least one game each year starting from 2018.

Game Development Pipeline



Staff, Management and Board of Directors

Next Games staff grew by 11 employees during the first quarter of 2017 and was 77 employees in total at the end of the period. The company has scaled up its organization, its games teams, marketing as well as other supporting functions to support the two new games in development and to reinforce continuous development of The Walking Dead: No Man's Land.

In February 2017 Next Games acquired all shares of Lume Games Ltd through a share exchange. Lume Games develops location based technology. Five Lume employees transferred to Next Games Corporation in conjunction with the acquisition. A merger between Lume Games Ltd and Next Games Corporation is planned to take place as decided by the Board of Directors.

In February 2017 Petri Niemi was elected Chairman of the Board of Directors. Jari Ovaskainen, Phil Sanderson, Peter Levin, Paul Rehrig and Joakim Achren continued as members of the Board of Directors.

Upcoming Events

14th of July - 2017 Half-Year Report
3rd of November - Q3 2017 Business Review

Helsinki, Finland 5th of May

Board of Directors
Next Games Corporation

Statements are made in this report, which describe, inter alia, the current beliefs and expectations of the management of Next Games regarding the future plans and objectives concerning future activities and goals of Next Games. All such statements involve risks and uncertainties, which may cause the achievements of Next Games to differ materially from what has been expressed or implied in such statements.

Key Operational Metrics Defined

DAU (daily active users). A user is counted as a daily active user if they sign in to the game at least once during a 24-hour period. Average DAU is calculated by adding the total number of active players as of the end of each day in a given period and dividing by the number of days in the period. DAU is a key measure for player network engagement.

MAU (monthly active users). A user is counted as a monthly active user if they sign in to the game at least once during a 30-day period. Average MAU is calculated by adding the total number of active players as of the end of each month in a given period and dividing by the number of months in the period. MAU is a key measure of the overall size of the player network.

ARPDau (Average revenue per daily active user). ARPDau is calculated by dividing daily gross bookings by daily active users (DAU). ARPDau is an important measure of monetization as it places sales in relation to player volume.



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