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**NEXT GAMES**

**JANUARY-JUNE 2019**

# **BUSINESS REVIEW**

## **H1 2019**

**Teemu HUUHTANEN**  
**Chief Executive Officer**



# H1 2019 FINANCIAL HIGHLIGHTS

- **Revenue grew 83%** year-on-year to EUR 19.2 million (10.5 million)
- Gross profit % increased by 1 percentage point and was EUR 11.2 million, 59% of revenue (EUR 6.0 million, 58% of revenue)
- **Adjusted operating profit improved 56%** and was EUR -1.8 million (EUR -4.1 million)
- At the end of the review period, the company's cash balance was EUR 4.7 million. The company's longer term goal to consistently remain cash flow neutral has proceeded according to plan as the cash balance was EUR 4.8. million at the end of Q1

# Q2 2019 - TURNAROUND

## **1. PHASE CONCLUDED - COST SAVINGS EXECUTED ACCORDING TO PLAN**

- The company previously communicated that it aims to achieve a monthly fixed cost level of approximately 1.1 - 1.2 million euros. The cost savings program was successfully implemented and we achieved a 1.2 million euro fixed cost level during the second quarter

## **2. PHASE ONGOING - RENEWED GAME DEVELOPMENT PROCESS SHOWS RESULTS**

- Focus on reusing existing technology and code, which has the potential to reduce product development times and time to market for new products
- Reworked approach towards prototyping and concepting as well as timing with license negotiations in relation to game development process
- New game development pipeline including possibility for own IP

## **3. PHASE ONGOING - ASSESSING ALTERNATIVES TO STRENGTHEN FINANCIAL POSITION**

- Third, and the final step of our turnaround project, is to secure additional funding for future investments such as new product development and marketing. Thanks to the stabilized business operations, the company is in a good place to continue assessing alternatives to strengthen its financial position



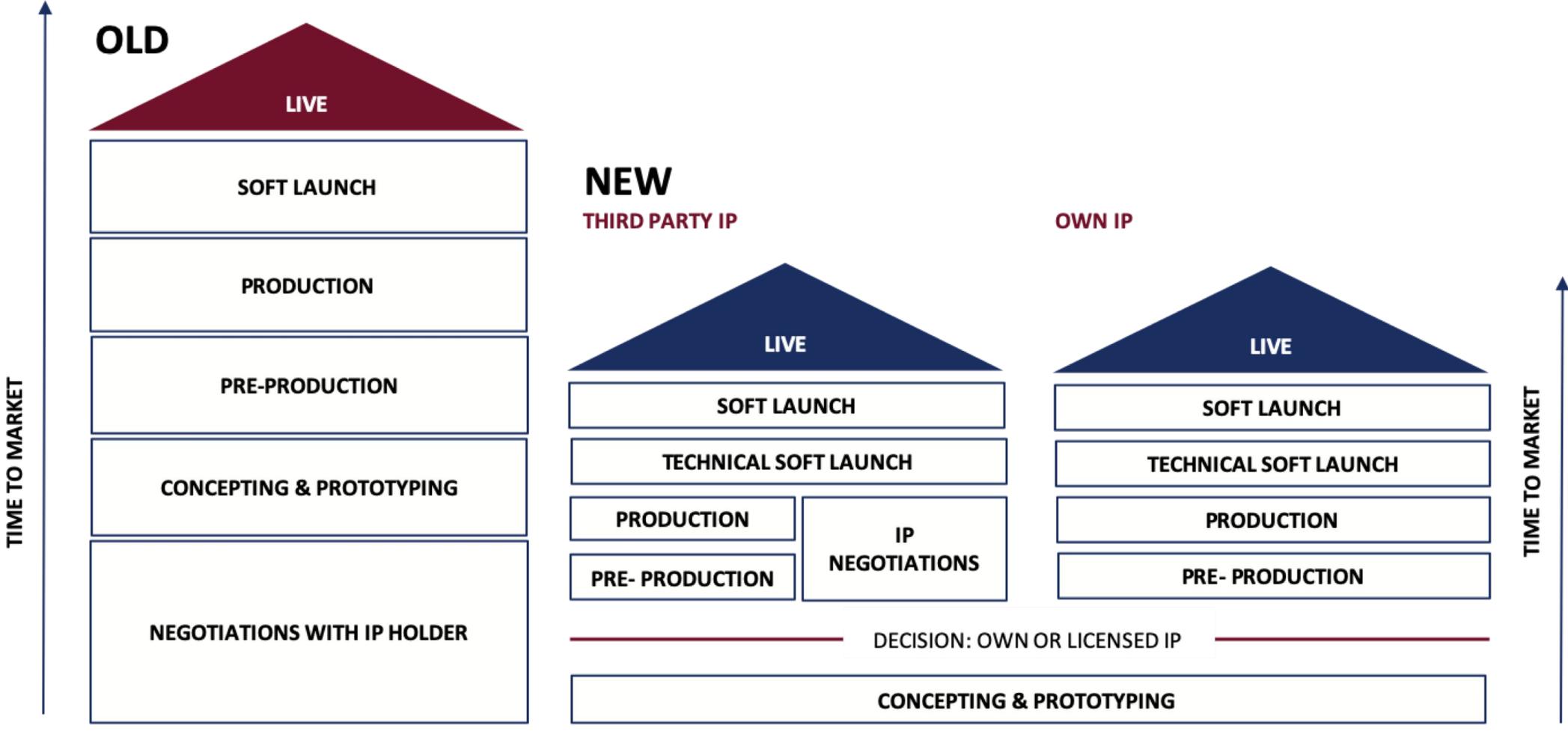
# **GAME DEVELOPMENT PIPELINE**

# NEW OPERATING MODEL IN GAME DEVELOPMENT

- The goal for the new operating model is to decrease the products' time to market and reduce the risk in different stages of the development
- 9 new concepts or prototypes projects initiated, thanks to the renewed game development process. Some of the projects have a third party license attached to them
- Ongoing discussions on multiple third party licenses for potential future projects with significant global license holders.
- Only a portion of games will pass through the testing phases to global launch. Making an agreement with a license holder to develop a game does not necessarily guarantee a global launch.
- The company aims to launch a minimum of one game per year



# RENEWED GAME DEVELOPMENT PROCESS



GAAS – TECH PLATFORM

SOCIAL  
GAMEPLAY

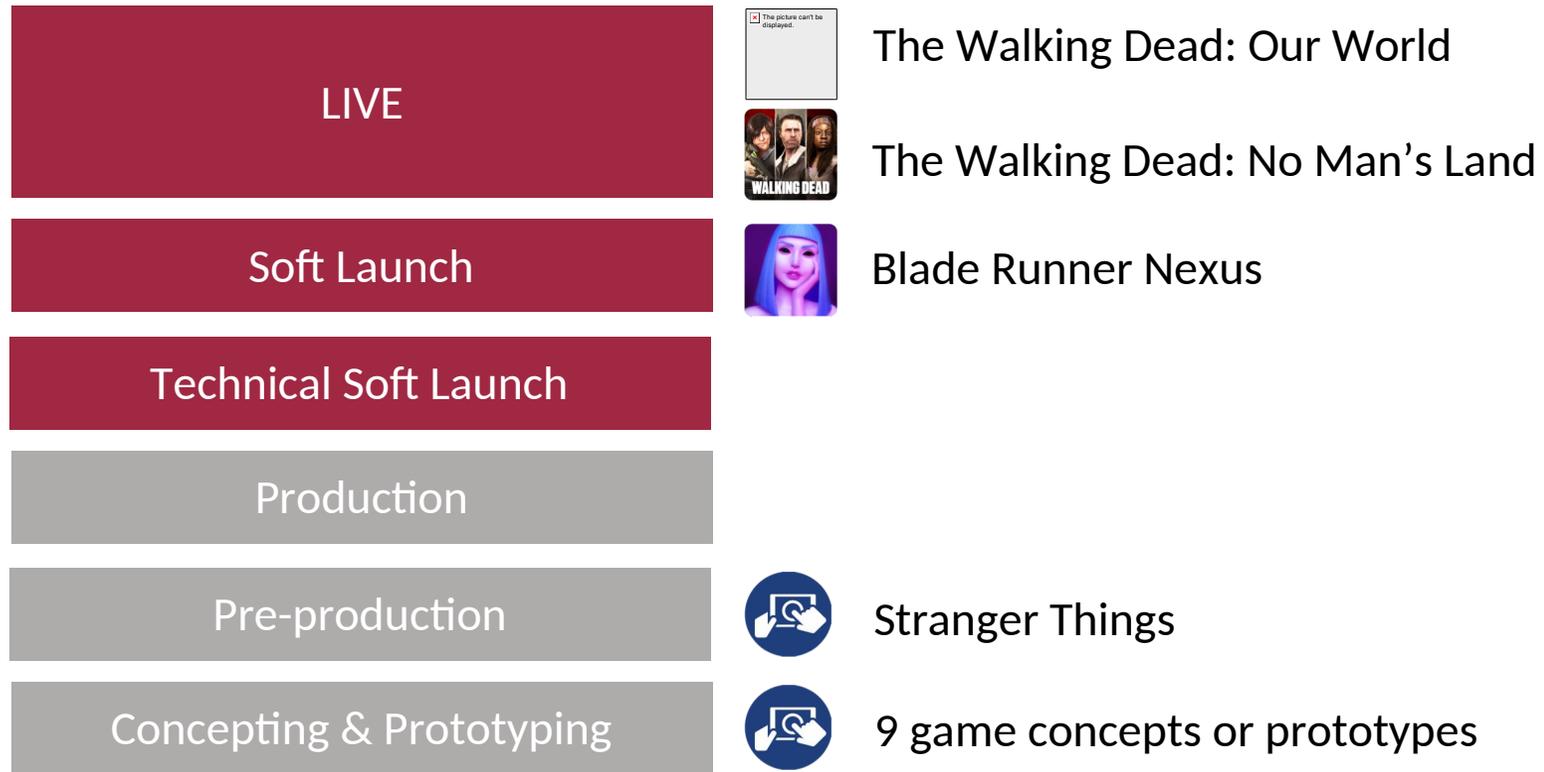
LOCATION-BASED  
TECHNOLOGY

LIVE OPERATIONS  
TOOLS

SERVER  
BACK-END

ANALYTICS

# GAME DEVELOPMENT PIPELINE H1 2019



# SEASON 9 MISSIONS

THE  
WALKING DEAD  
OUR WORLD



**amc** **N** NEXT GAMES

# THE WALKING DEAD: OUR WORLD

- Our World achieved another record-breaking in-app purchase ARPDAU record, 0.34 Euros in June
- The game still experienced challenges with retention, and thus the marketing investment level was higher in comparison to revenue than the company's objectives
- The team now focuses on improving the game's retention
- In order to achieve revenue growth, the company has actively developed its advertisement revenue business model. Video ads similar to No Man's Land were implemented to Our World in mid-June 2019.
- Additionally, the company has piloted an innovative location-based ad solution in Our World with a significant global partner with promising preliminary results during the first half of 2019



# THE WALKING DEAD: OUR WORLD - KEY PERFORMANCE INDICATORS

TWD: Our World	01-03/2018	04-06/2018	07-09/2018	10-12/2018	01-03/2019	04-06/2019
Gross Bookings	-	-	8,219	5,793	4,961	5,200
DAU	-	-	386,109	222,943	210,693	154,936
MAU	-	-	2,096,120	758,542	982,345	602,486
ARPDau (USD)	-	-	0.27	0.31	0.29	0.41*
ARPDau (EUR)	-	-	0.23	0.28	0.26	0.37*

\*ARPDau includes In App Purchases and Ad-revenue since Jun 11, 2019.



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



# THE WALKING DEAD: NO MAN'S LAND - KEY PERFORMANCE INDICATORS

- No Man's Land ARPDau has improved year-on-year and was 0.22 euros on average during the first half of 2019.
- The number of daily active users have however somewhat decreased year-on-year
- The game as an independent project has remained profitable throughout the reporting period. The team aims to maintain the game's key metrics on a stable level.

TWD: No Man's Land	01-03/2018	04-06/2018	07-09/2018	10-12/2018	01-03/2019	04-06/2019
Gross Bookings	4,691	5,482	5,534	5,727	4,547	3,753
DAU	300,367	286,806	274,752	253,339	225,048	189,852
MAU	977,754	883,966	799,919	728,296	669,181	539,948
ARPDau (USD)	0.21	0.24	0.26	0.28	0.25	0.24
ARPDau (EUR)	0.17	0.21	0.24	0.25	0.22	0.22



THE OFFICIAL MOBILE GAME

# BLADE RUNNER

N E X U S



ALCON  
INTERACTIVE GROUP



NEXT GAMES

# BLADE RUNNER NEXUS

- Blade Runner Nexus continued in soft launch in Philippines, Australia, New Zealand, Finland and Poland.
- The testing and analysis efforts have focused on optimizing and improving the game's first time user experience and early retention.



**BLADE RUNNER**



ALCON  
INTERACTIVE GROUP



**NEXT GAMES**



 NEXT GAMES. NETFLIX

# STRANGER THINGS

# Stranger Things

- Next Games and Netflix announced their collaboration on 12 June at the games industry fair E3 in Los Angeles
- Stranger Things is a scifi horror series set in the 80s published by Netflix. The first season of the series aired in summer 2016. Netflix has published three seasons of the series.
- According to Netflix, 40.7 million household accounts watched the show during the first four days after launch — more than any other film or series in its first four days
- The game is estimated to launch in 2020

# FINANCIAL REVIEW

Annina Salvén

**Chief Financial Officer**



# RECAP: CHANGES IN REPORTING DUE TO IFRS

## Key adjustments for Next Games in IFRS reporting

1. P&L presentation changed to function based
  - a. Sales and marketing function includes all the company's marketing activities, including salaries, general marketing cost allocations, tools and user acquisition
2. Game and technology development costs will be capitalized after products move to production phase
3. Costs from equity plans will be recorded as employee expense according to IFRS2
4. Leased office space is recorded to balance sheet and depreciated over time of the leasing agreement
5. New alternative performance measurement, Adjusted Operating Profit, introduced

# APRIL-JUNE 2019

## REVENUE

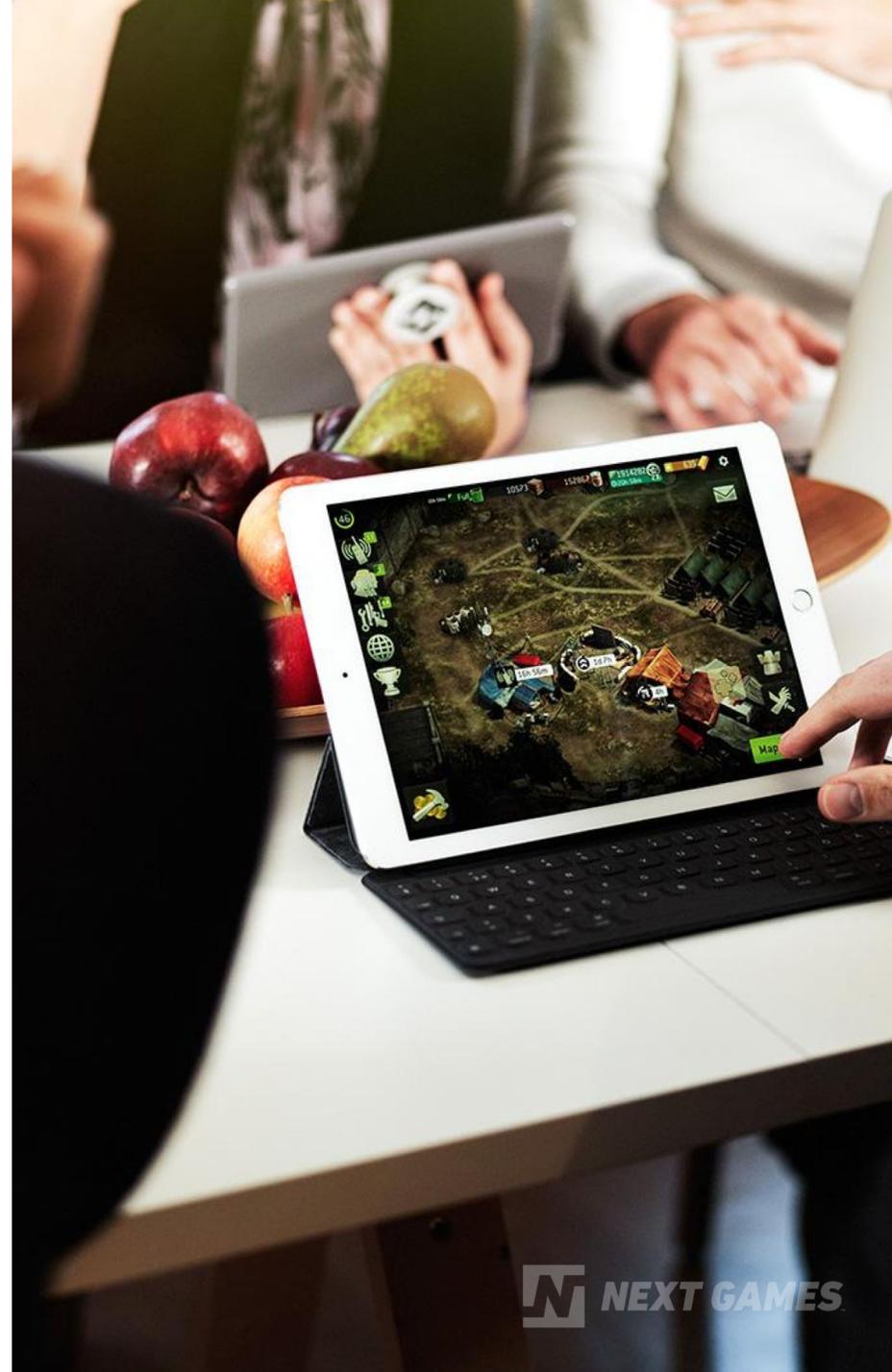
9.4M EUR (5.7M EUR)

GROSS PROFIT 5.7M EUR, 60 %  
(3.3M EUR, 58 %)

## ADJUSTED OPERATING PROFIT

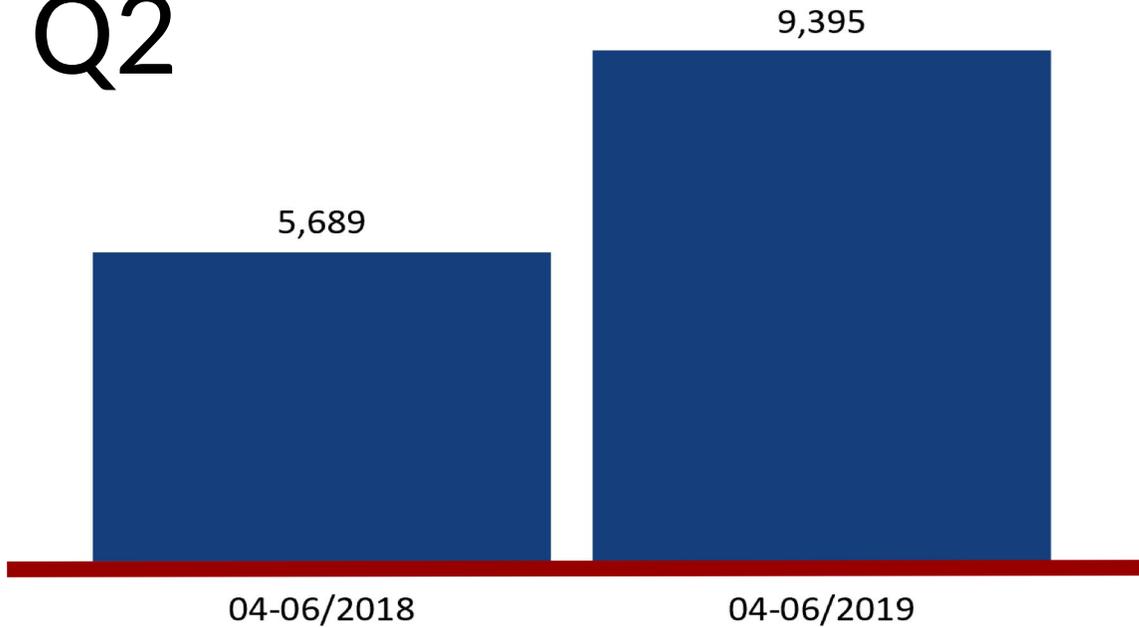
-0.5M EUR  
(-2.0M EUR)

(2018 April-June comparison in brackets)



# DEVELOPMENT

## Q2

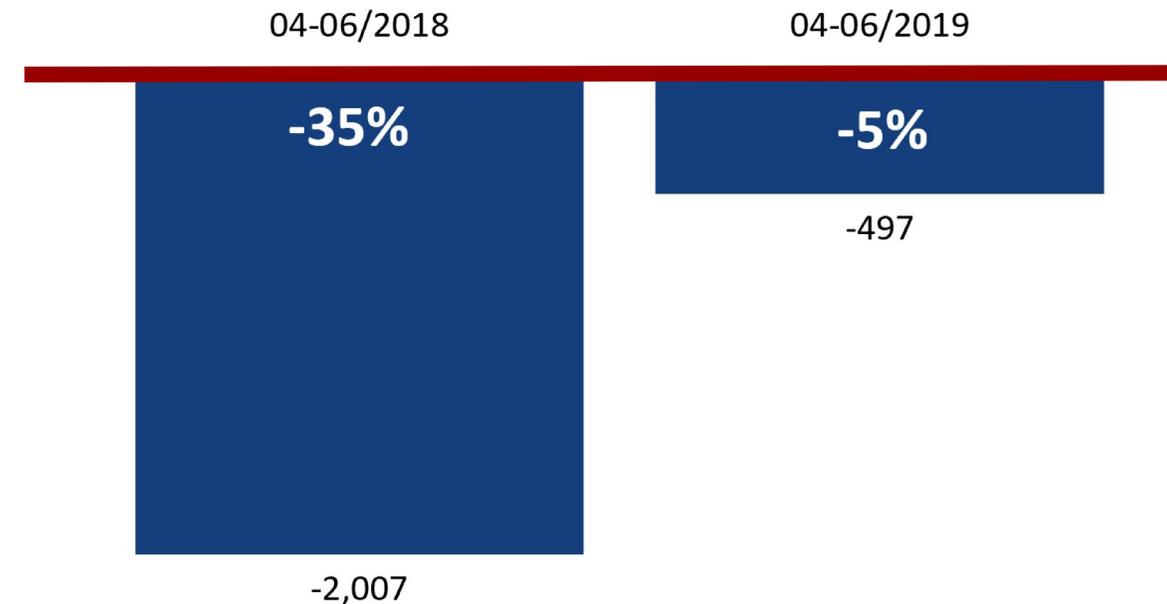


### Revenue

Revenue grew to EUR 9.4 million

**+65 %** year on year growth

Adjusted operating profit  
Adjusted operating profit was  
EUR -0.5 million  
**EUR +1.5 million**  
improvement



# JANUARY-JUNE 2019

## REVENUE

19.2M EUR (10.5M EUR)

GROSS PROFIT 11.2M EUR, 59 %  
(6.0M EUR, 58 %)

## ADJUSTED OPERATING PROFIT

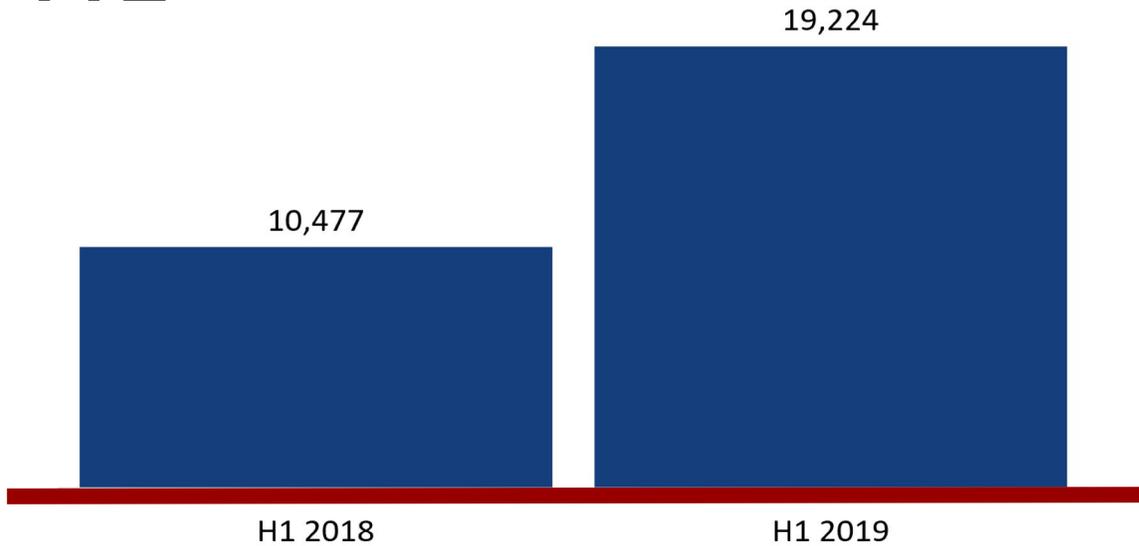
-1.8M EUR  
(-4.1M EUR)

(2018 January-June comparison in brackets)



# DEVELOPMENT

## H1

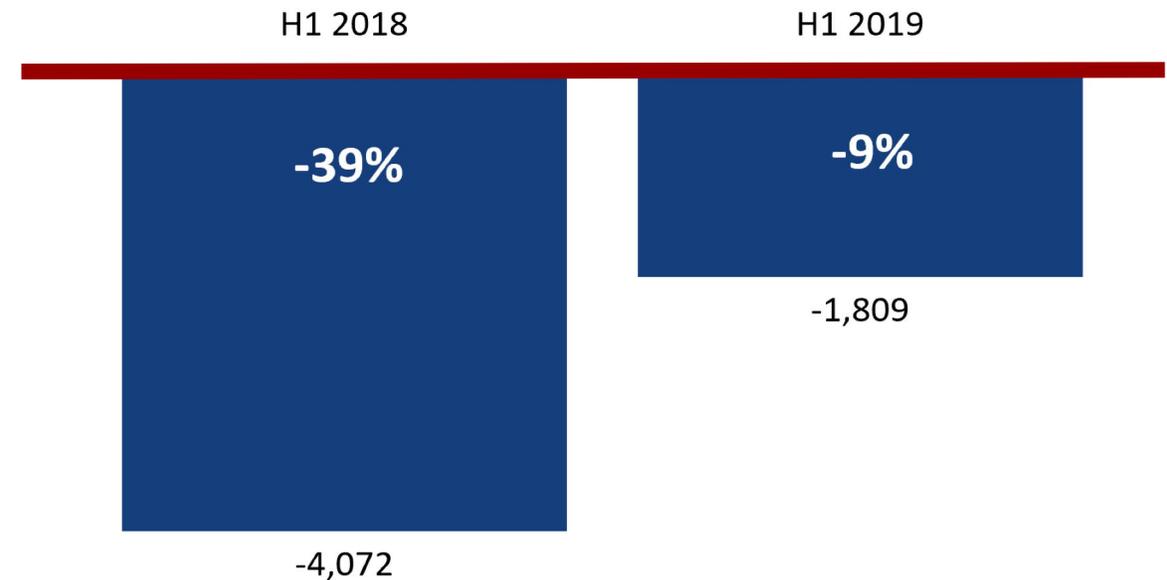


### Revenue

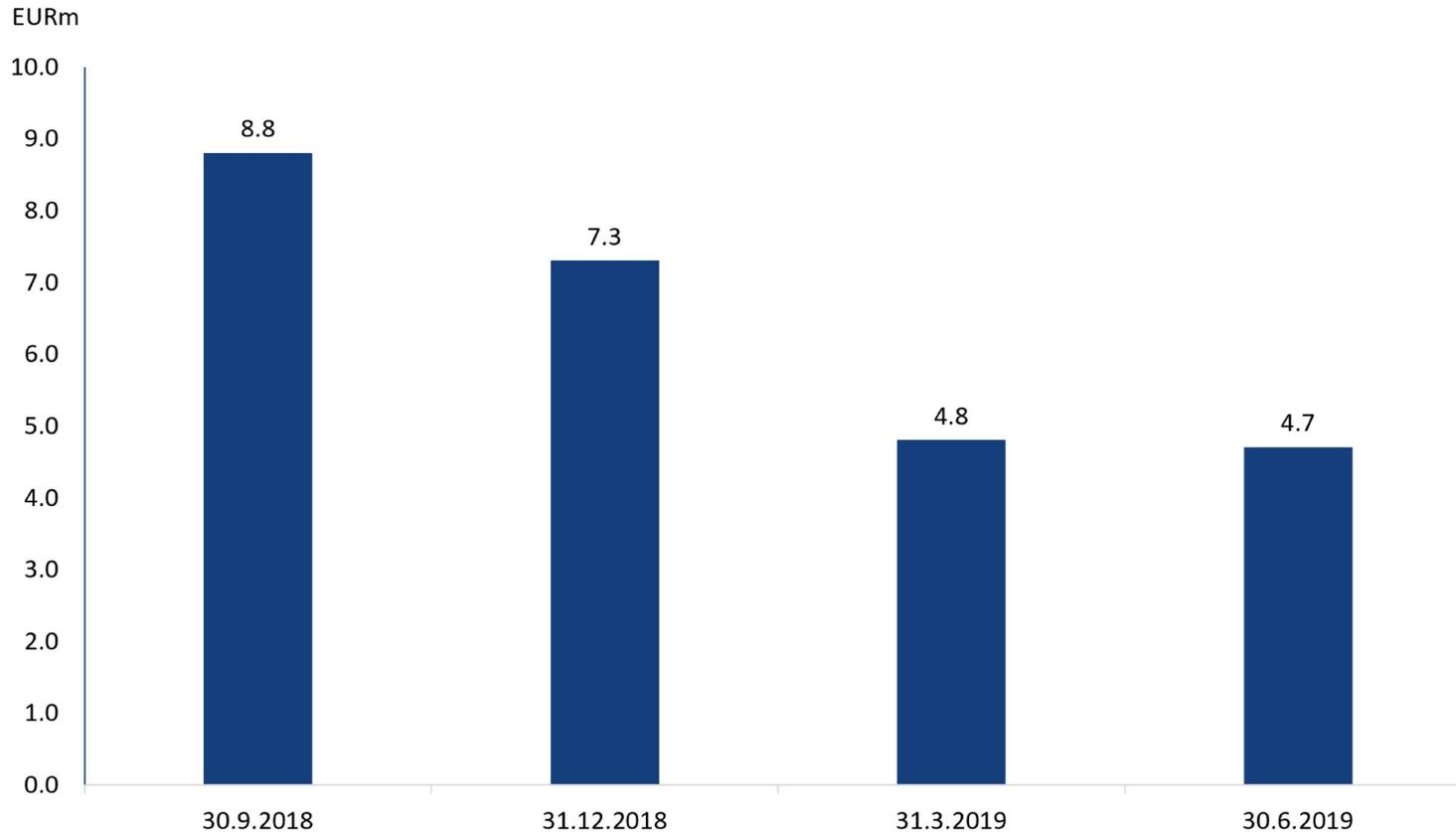
Revenue grew to EUR 19.2 million

**+83 %** year on year growth

Adjusted operating profit  
Adjusted operating profit was  
EUR -1.8 million  
**EUR +2.3 million**  
improvement



# Cash Balance Development



End of H1 2019 cash balance was 4.7 million euros.

Cash position has started to stabilize as of February 2019 according to plans.

The company aims to grow its revenue year on year in 2019 compared to 2018, and due to the renewed cost structure, strives towards remaining cash flow neutral on a continuous basis

# COST SAVINGS

	Costs on a monthly level				Savings		
	H2 2018	Q1 2019	Q2 2019	Q2* 2019	Realized Q2 monthly level	Monthly level target for whole year	Annualized target
k €							
Research & Development services	320	70	40	55	-280	-265	-3 180
Employee expenses	830	820	660	700	-170	-130	-1 560
Other fixed costs	550	500	480	400	-70	-150	-1 800
	1 700	1 390	1 180	1 155	-520	-545	-6 540

\*target

Resulting from the successful cost savings program, the monthly savings target is approx 550 thousand euros in salaries, administrative and product development costs, totaling approximately EUR 6.5 million annually, compared to the monthly average level of H2 2018.

The company achieved cost savings by reaching its cost level of EUR 1.1-1.2 million, as was the target. At the end of H1 Next Games had 108 employees, compared to 143 employees at the end of Q4 2018. At the end of Q1 2019 Next Games had 119 employees.

One game project was discontinued, which had a major contributing factor to savings in product development. Other minor savings were done across the company's other game projects.

# KEY FIGURES OF THE P&L

EUR 1000	01-06/2019	01-06/2018
Revenue	19,224	10,477
Cost of Revenue	-7,974	-4,443
Gross Profit	11,250	6,034
Other operating income	9	45
R&D costs	-4,679	-3,555
Sales and Marketing costs	-8,414	-5,405
Administrative costs	-1,661	-2,073
Operating profit (loss) (EBIT)	-3,495	-4,954
Adjusted operating result	-1,809	-4,072
EBITDA	-1,510	-4,814

During the first half the Sales and Marketing function amounted to 44% of revenues and were lower compared to first half of 2018 (52% of revenues).

Sales and Marketing costs include in addition to user acquisition, all general marketing costs, salaries and other fixed costs that related to the marketing and sales function. Therefore the amount is not comparable directly to user acquisition.

R&D costs increased approx EUR 1.1 million compared to first half of 2018.

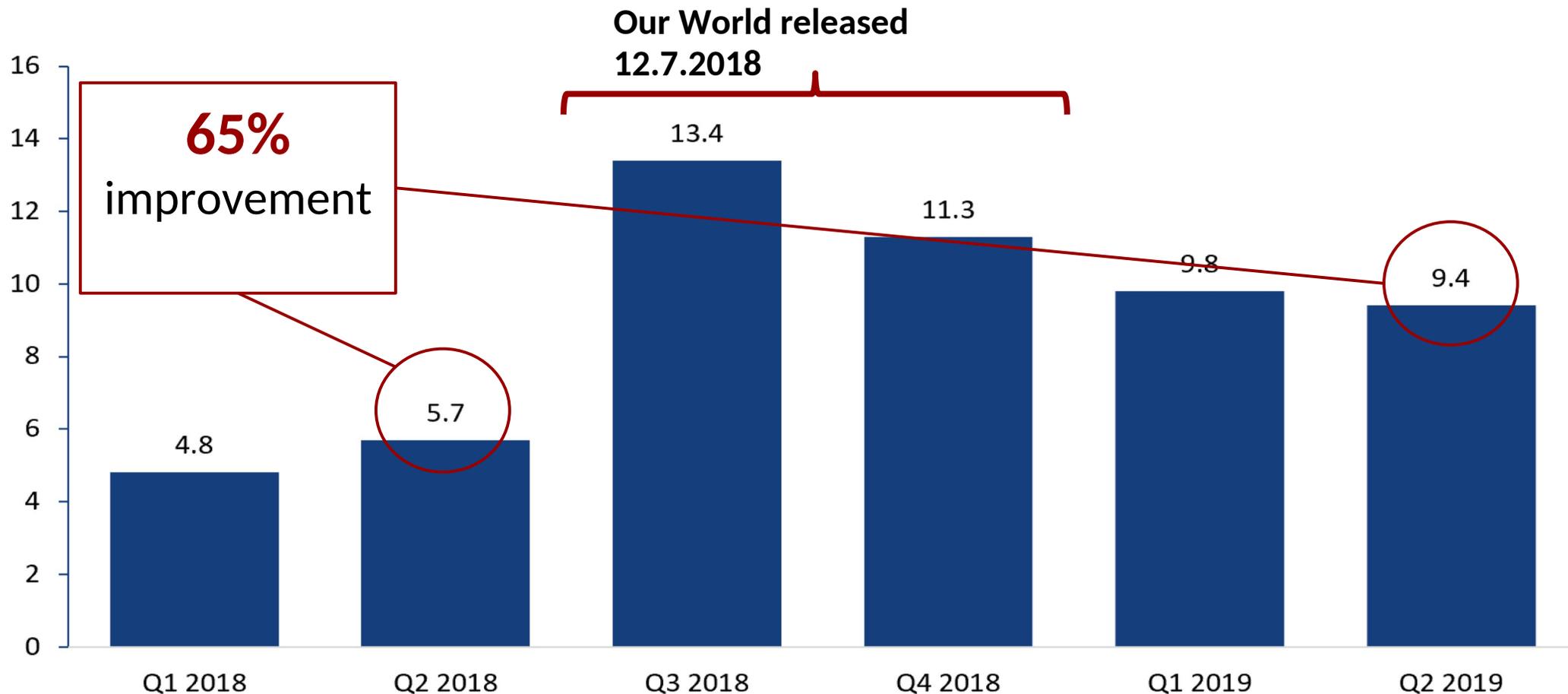
Administrative costs decreased as expected as a result of cost savings -program.

Depreciations of development of games and technology impacted EBIT.

Adjusted operating result improved EUR 2.3 million.

# QUARTERLY REVENUE DEVELOPMENT

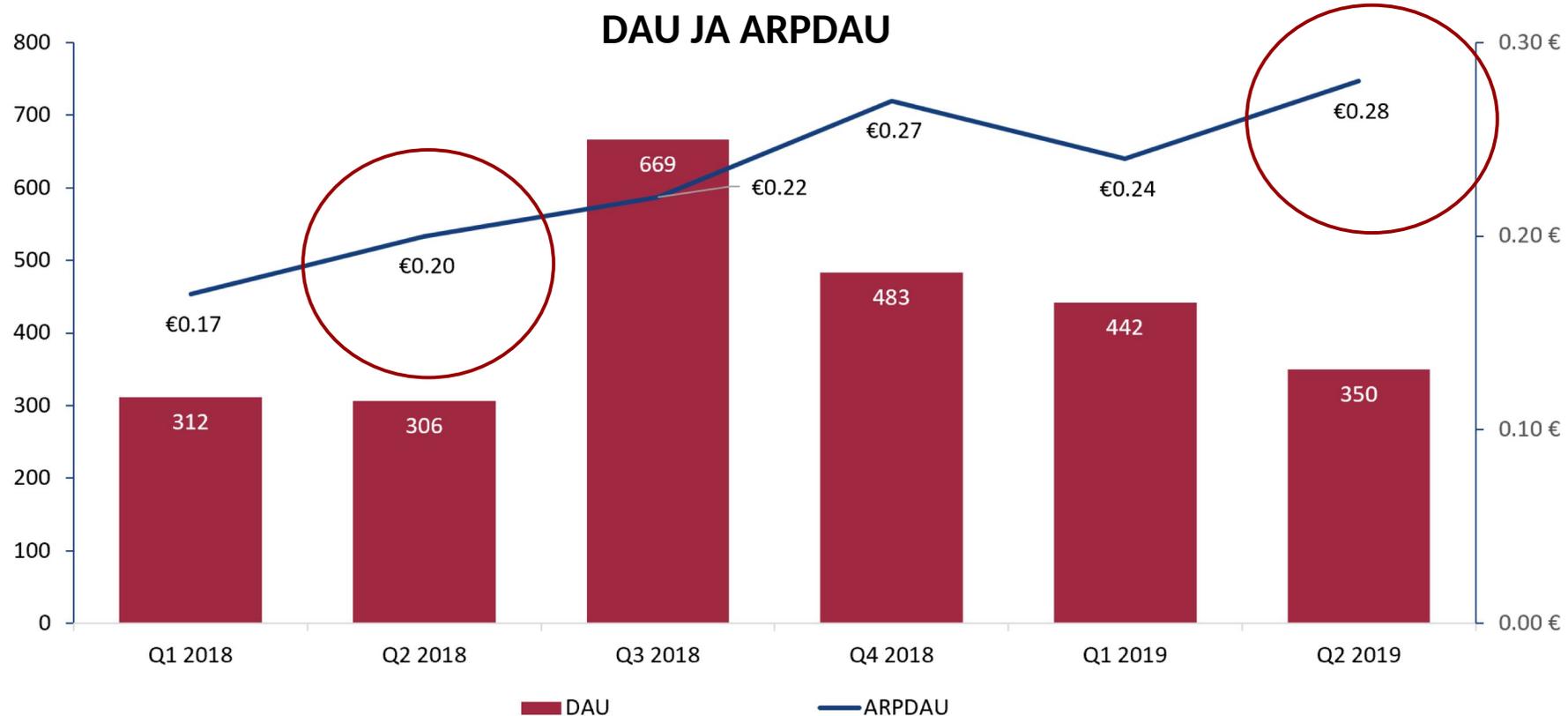
The revenue of Q2 2019 was significantly higher compared to Q2 of 2018. Revenue increased 65%. The increase resulted from the release of The Walking Dead: Our World game, since the game was not yet released in Q2 of 2018.



# DAU and ARPD AU DEVELOPMENT

The company succeeded in significantly growing ARPD AU. Our World achieved another record-breaking in-app purchase ARPD AU record, 0.34 euros in June. In addition ads were implemented in the game which resulted in increased ARPD AU in June.

1,000 players

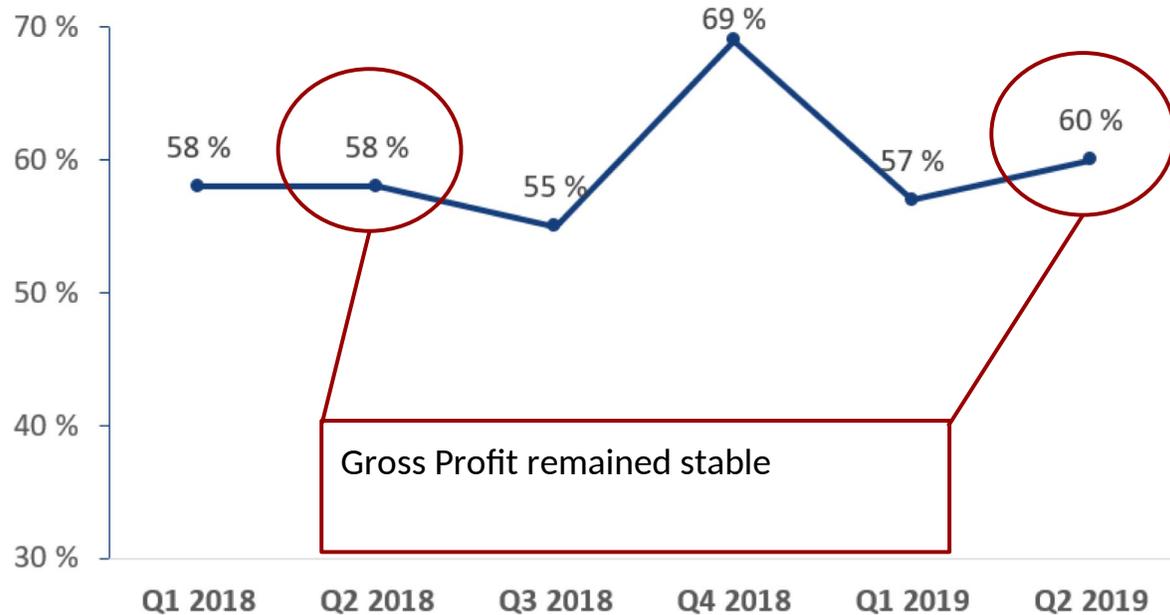


**Our World ARPD AU  
record in June 2019**

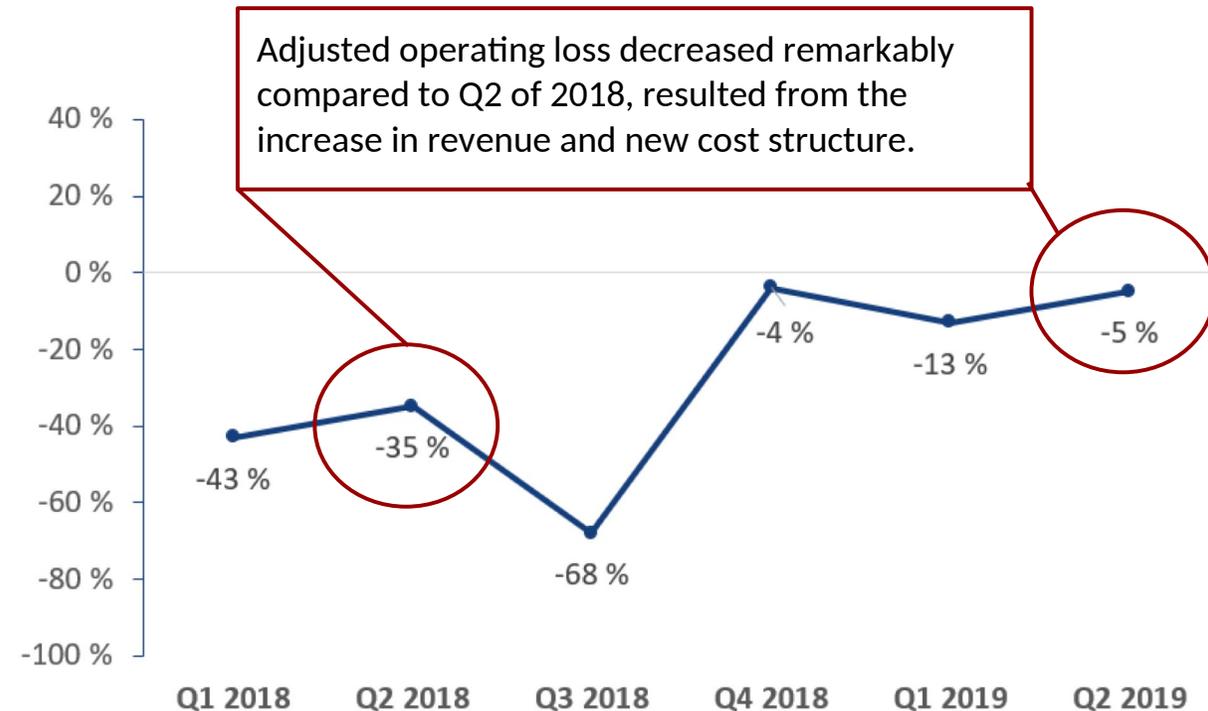
**EUR 0.34**  
(In-App Purchases, IAP)

# GROSS PROFIT and ADJUSTED OPERATING PROFIT

## Gross Profit %



## Adjusted Operating Profit %





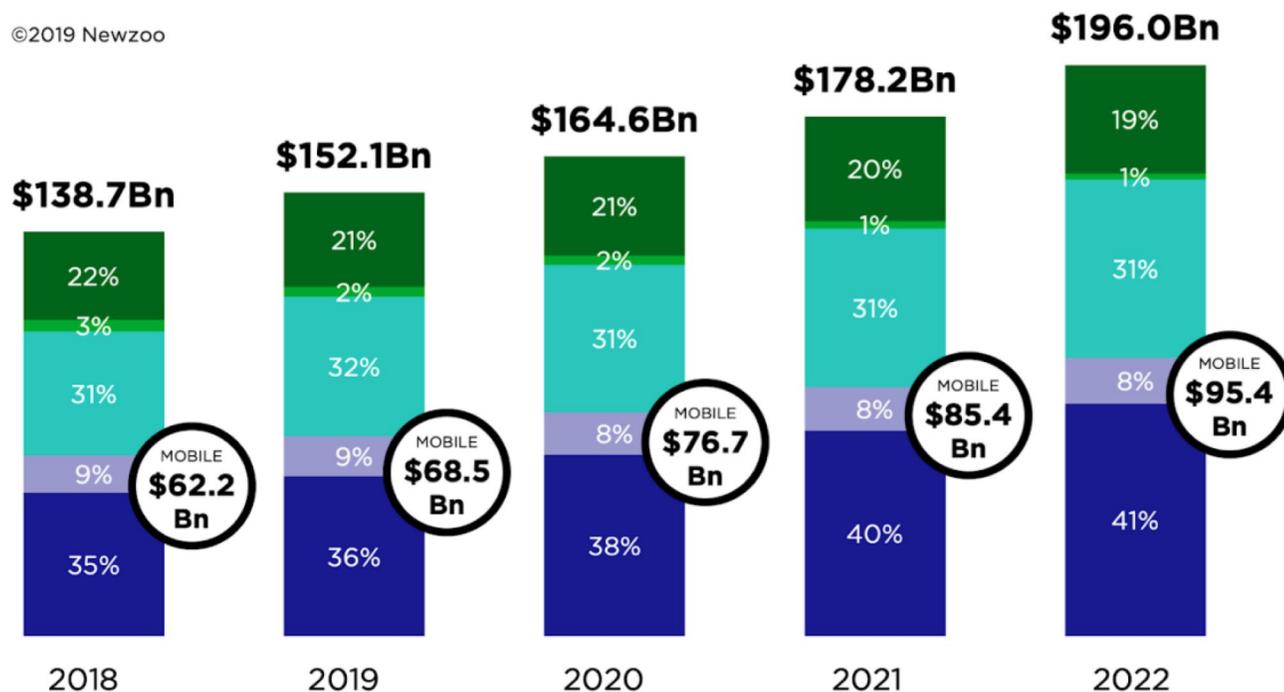
# MARKET & STRATEGY OVERVIEW 2019



# 2018-2022 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2022

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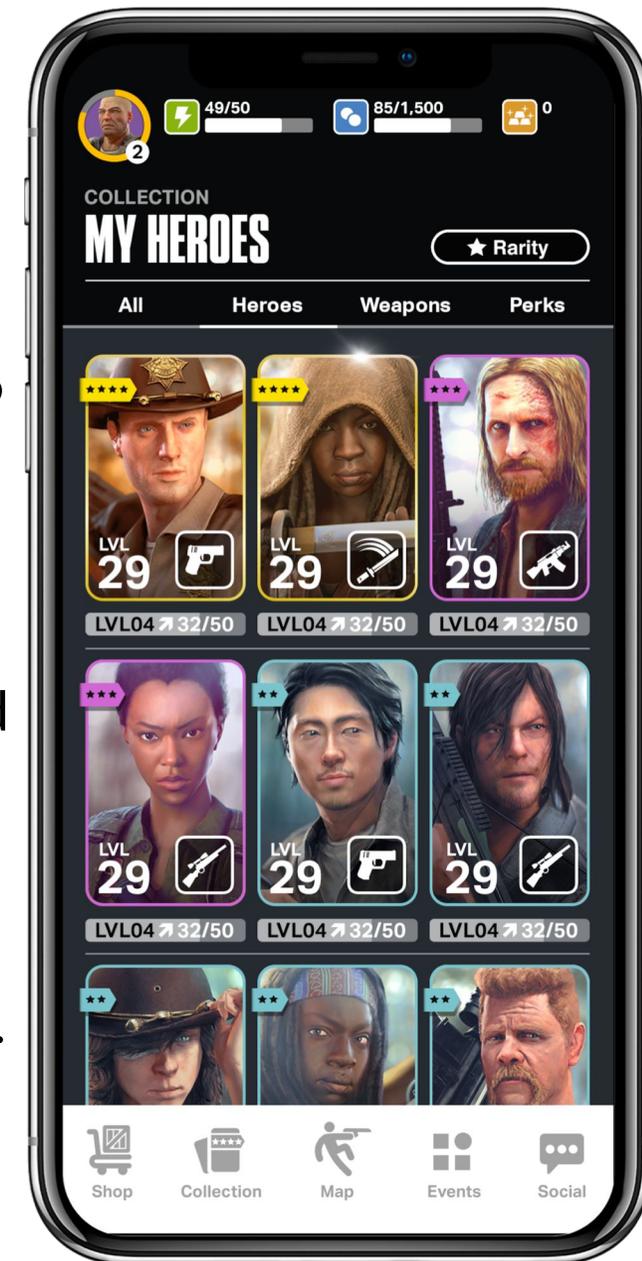
## +9.0%

TOTAL MARKET CAGR  
2018-2022

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

# MOBILE GAMES MARKET 2019

- According to June 2019 report by Newzoo, mobile games market continues to grow at a rate of approximately 10.2% year-on-year in 2019
- Global games market is forecasted to total around \$151.1 billion in 2019, of which the share of mobile games would be approx. 45%, \$68.5 billion.
- The reasons for slowed growth in global mobile games market compared to previous years are mainly new regulations in Chinese games market and the absence of new global blockbuster games
- From Next Games' perspective, it is positive that the US is estimated to overtake China as the world's largest gaming market by revenue in 2019.
- The US generated 45% of Next Games' revenue during the first half of 2019 and the company does not currently have any games available on the Chinese market.



# STRATEGY & OUTLOOK 2019

## Business outlook 2019

- The company seeks moderate revenue growth during 2019 compared to 2018
- As a result from the changes in its cost structure, strives towards remaining cash flow neutral in the longer term, as a first step,
- As part of cost restructuring, the company estimates it will achieve monthly savings of approximately € 550 thousand in salaries, administrative costs and product development costs, totalling approximately € 6.5M on a yearly basis as compared to the second half of 2018.

## Basis for outlook

- The company's estimates are based on the assumption that The Walking Dead: No Man's Land and The Walking Dead: Our World maintain their current revenue levels.
- In addition, the outlook is based on game development staying on schedule and on target of launching one game per year.



# UPCOMING EVENTS

**1 November, 2019**

Business Review

January-September 2019



# QUESTIONS?



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