



LVL03



LVL05

NEXT GAMES

JANUARY-MARCH 2019

BUSINESS REVIEW

Teemu Huuhtanen
Chief Executive Officer



Q1 2019 HIGHLIGHTS

Successful execution of turnaround plan

- Cost savings materializing - Approx EUR 550k monthly savings in salaries, administrative and product development costs compared to the monthly average level of second half of 2018 (totaling 6.5 million euros annually)

New operating model and renewed game development process

- 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



Q1 2019 FINANCIAL HIGHLIGHTS

- **Revenue grew 104%** year-on-year to 9.8 million euros (4.8 million)
- **Significant company ARPDAU** and **DAU growth** year-on-year
- Gross profit was 5.6 million euros (2.8 million), 57% of revenue (58%)
- Adjusted operating result was -1.3 million euros (-2.1 million)
- Cash balance was 4.9 million euros and an unused credit limit of 5 million euros at the end of Q1.
- Cash position has started to stabilize as of February 2019 according to plans.





GAME DEVELOPMENT PIPELINE

SEASON 9 MISSIONS

THE
WALKING DEAD
OUR WORLD

amc **N** NEXT GAMES



THE WALKING DEAD: OUR WORLD - KEY PERFORMANCE INDICATORS

TWD: Our World	Jan-Mar 2019	Jan-Mar 2018
DAU	210,693	-
MAU	982,345	-
ARPDau (US)	0.29	-
ARPDau (EUR)	0.26	-

All time record March average
ARPDau 0.31 EUR

Continuous testing with sales strategies
is starting to pay off and shows in key
performance indicators



THE WALKING DEAD: OUR WORLD

- In an effort to explore additional revenue streams for the game, the company has started piloting location-based ads and exploring the opportunity to integrate regular video ads in to the game
- Marketing investment levels have remained conservative throughout the quarter and scaling activities were not started yet as the focus has first been put on technical and monetization performance. Long term retention will still need improvements before growing the game is possible.



THE
WALKING DEAD
NO MAN'S
LAND



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



TWD: No Man's Land	Jan-Mar 2019	Jan-Mar 2018
DAU	225,048	300,367
MAU	669,181	977,754
ARPDau (US)	0.25	0.21
ARPDau (EUR)	0.22	0.17

Revenue remained stable year-on-year



THE WALKING DEAD: NO MAN'S LAND

- The Walking Dead: No Man's Land celebrated the second half of season 9 of the show by introducing yet another batch of show-themed missions to engage players. Additionally the game received new content including new characters and weapons.
- The game's key figures have remained on a steady level and the game as an independent project has continued to operate profitably.
- Team size has been slightly reduced as the company has directed resources to new projects.



THE OFFICIAL MOBILE GAME

BLADE RUNNER

N E X U S



ALCON
INTERACTIVE GROUP

N NEXT GAMES

BLADE RUNNER NEXUS

- One additional soft launch market opened in April in addition to the previous four markets
- Due to the depth of the game and the nature of the game mechanics (RPG), the soft launch period and viability assessment will take time
- The testing and analysis efforts have focused on optimizing and improving the game's first time user experience and first days' retention.
- Average playtime is relatively high, which is an encouraging sign of engagement within the core audience
- The volume of acquired users is still relatively low, but according to the company's preliminary view, the CPI (cost per install) is competitive within the genre

BLADE RUNNER



ALCON
INTERACTIVE GROUP



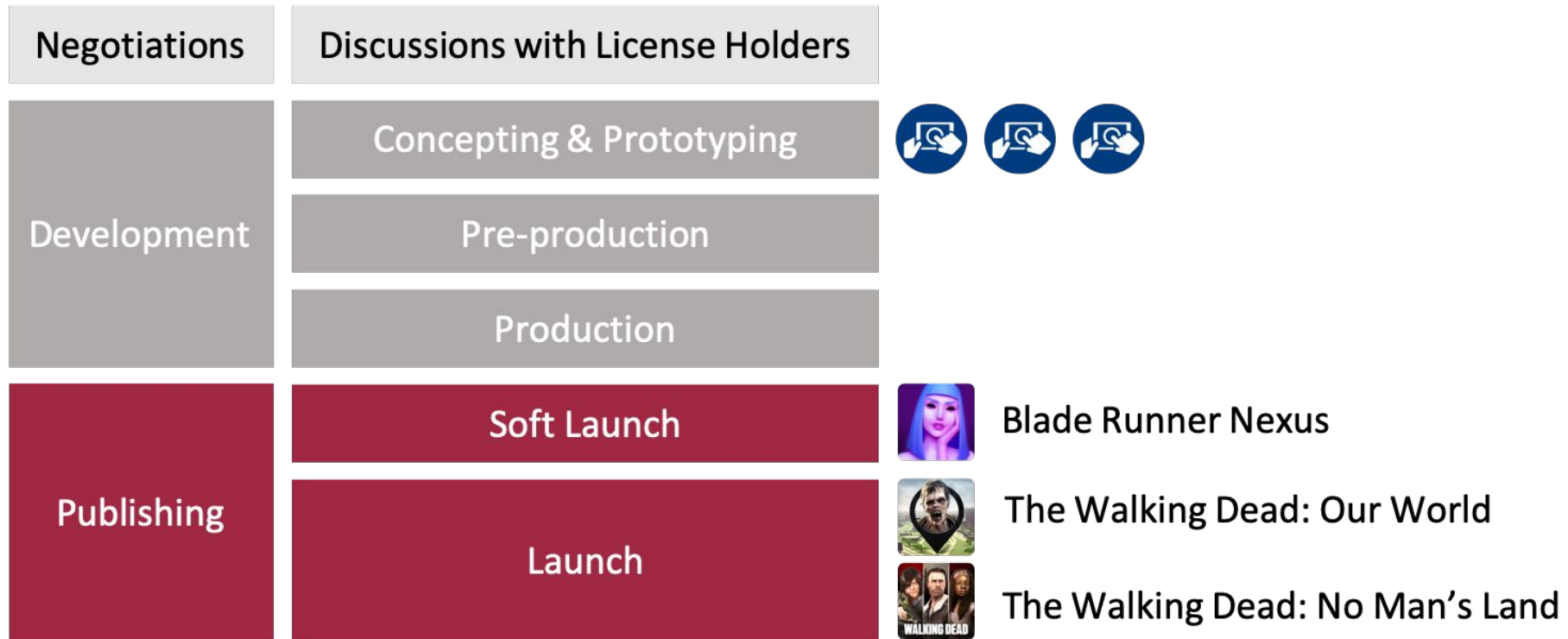
NEXT GAMES


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

UNANNOUNCED PROJECTS

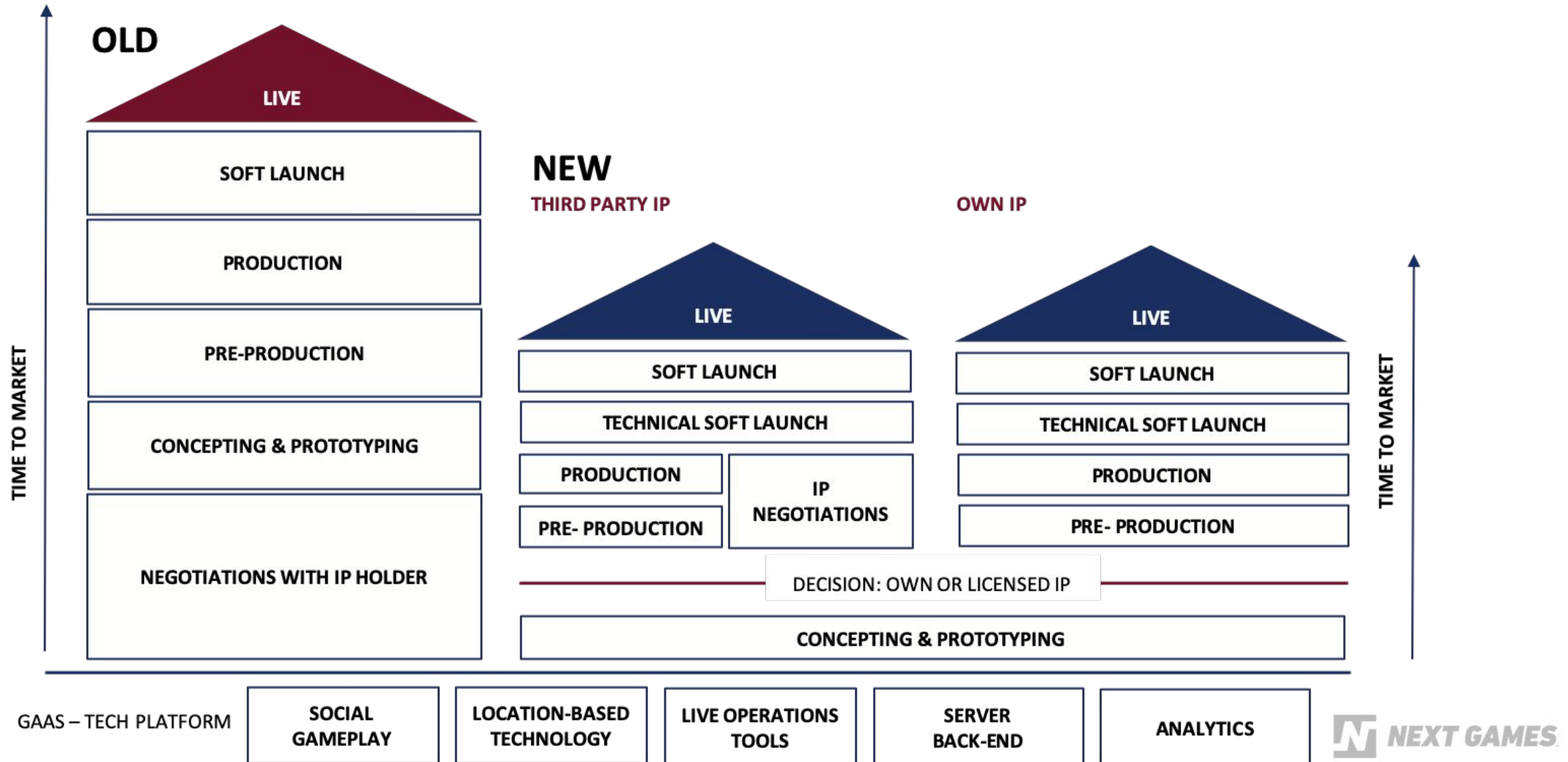
- Two third party licensed games, and one game without a license attached to it in the concepting and prototyping phase
- With renewed game development processes, the aim is to shorten production times and reduce risks at different phases of game development
- The company has examined multiple third party IPs for possible future projects and is looking into possibilities to develop games without a third party licensed IP
- Expectation is to bring a minimum of two games into soft launch during 2020 and keeps its target to publish at least one game a year.

GAME DEVELOPMENT PIPELINE Q1 2019



 = 1 game in specific phase

RENEWED GAME DEVELOPMENT PROCESS



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
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
6. Previous alternative performance measurements removed: Gross margin, EBITDA and Adjusted EBITDA

JANUARY-MARCH 2019

REVENUE **+104%**

9.8M EUR (4.8M EUR)

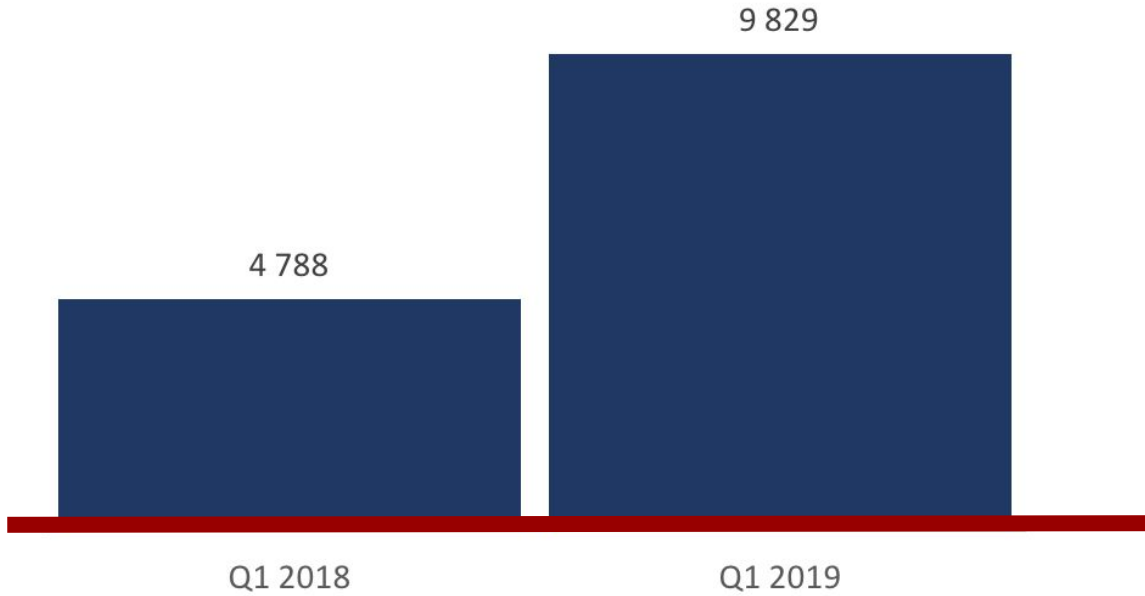
GROSS PROFIT **57%**
(58%)

ADJUSTED OPERATING PROFIT
-1.3M EUR
(-2.1M EUR)

(2018 January-March comparison in brackets)



REVENUE & OPERATING PROFIT DEVELOPMENT



REVENUE

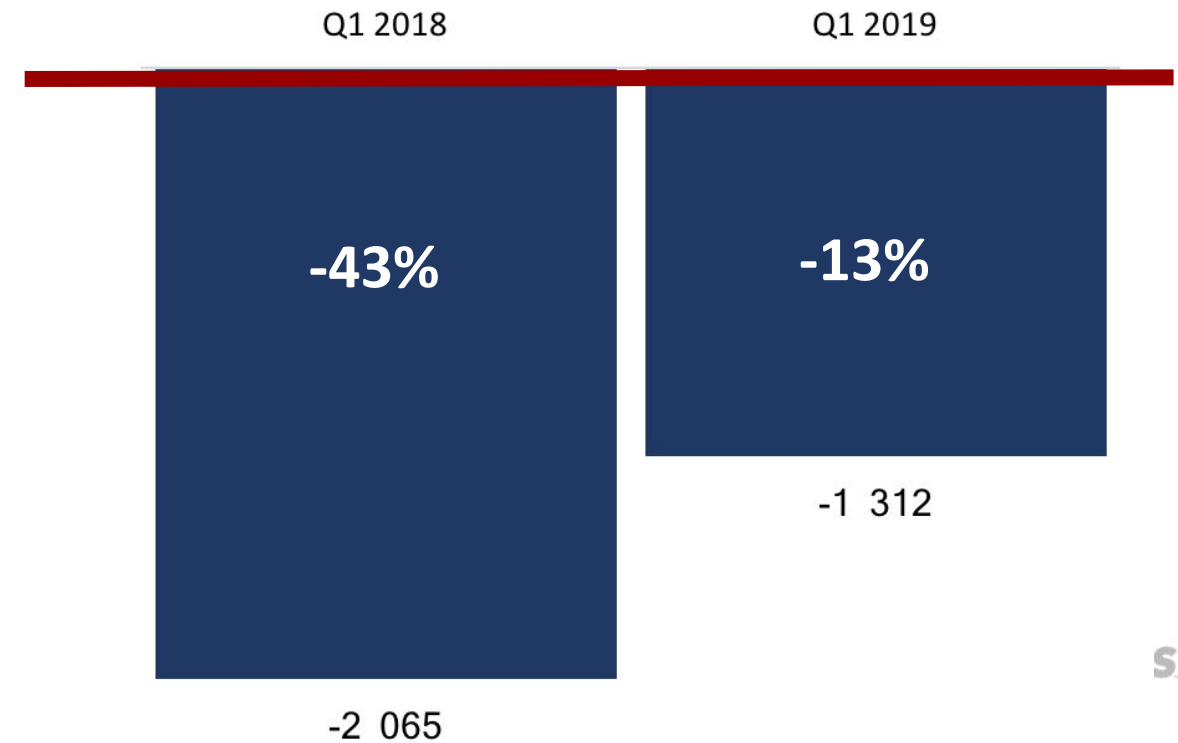
Revenue grew to EUR 9.8 million

+104% year on year growth

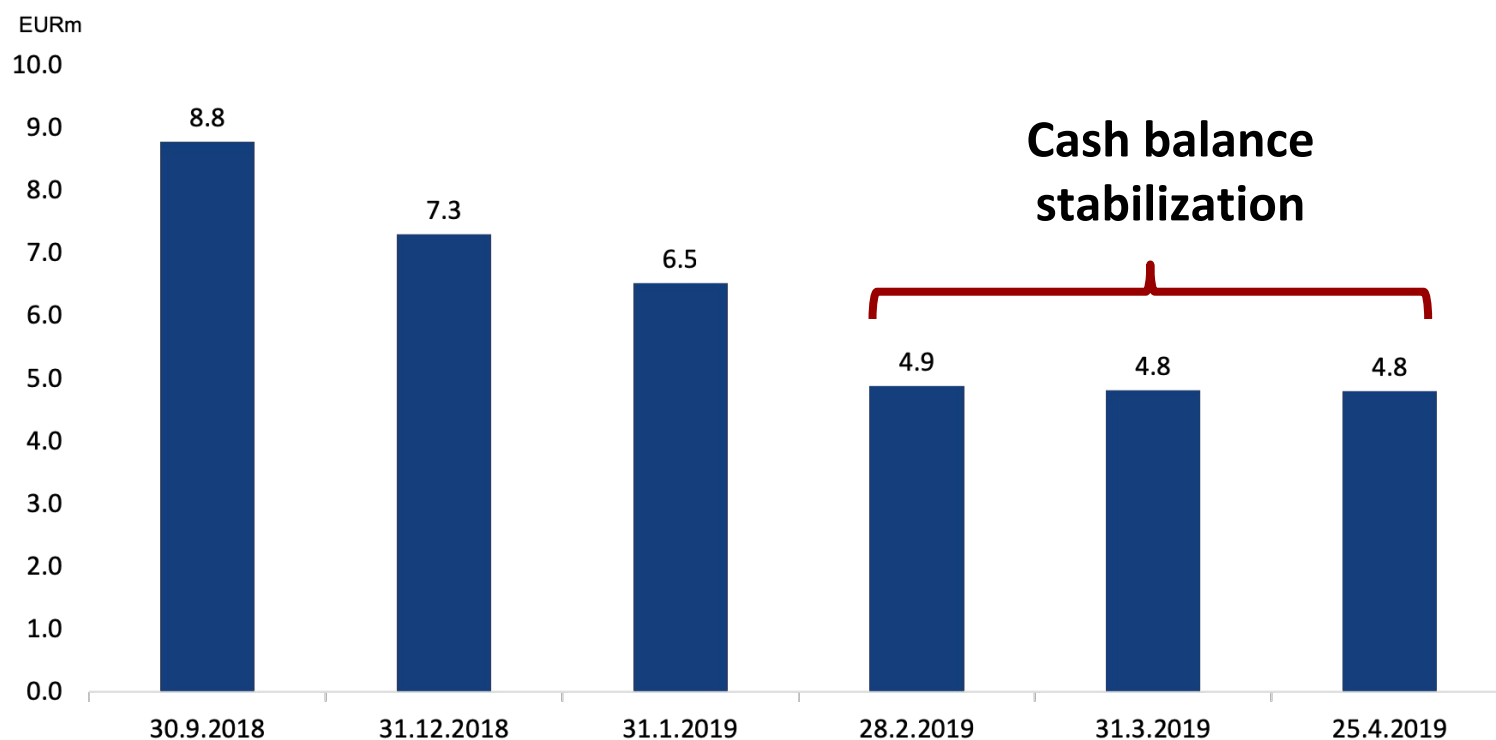
ADJUSTED OPERATING PROFIT

Adjusted Operating Profit was
EUR -1.3 million

EUR +753k improvement



CASH BALANCE DEVELOPMENT



End of Q1 2019 cash balance was 4.8 million euros, with the addition of a fully unused credit limit of 5 million euros.

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

The company aims to grow its revenues 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

k €	Costs on a monthly level			Savings	
	H2 2018	Q1 2019	Q2* 2019	Total	Annualized
Research & Development services	320	70	50	-270	-3,190
Employee expenses	830	820	700	-130	-1,560
Other fixed costs	550	500	400	-150	-1,800
	1,700	1,390	1,150	-550	-6,550

*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 savings in salaries and employed 119 people at the end of Q1 2019, whereas the number of employees was 143 at the end of Q4 2018 and 124 at the end of Q1 2018.

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)	01-03/2019	01-03/2018
Revenue	9 829	4 788
Cost of Revenue	-4 250	-2 027
Gross Profit	5 580	2 761
Other Operating income	9	34
R&D costs	-2 709	-1 777
Sales and Marketing costs	-4 310	-2 529
Administrative costs	-965	-996
Operating profit (loss) (EBIT)	-2 395	-2 506
Depreciations	736	70
Non cash items: IFRS 2 adjustment	347	371
Adjusted operating result	-1 312	-2 065

The company invested proportionally less in marketing (44%) than during Q1 2018 (53%) to achieve proportionally higher revenues. Sales and Marketing function includes both user acquisition in addition to any other promotional activity, salaries and all allocated costs for the marketing function and is not comparable to user acquisition alone.

Increase in costs are driven by EUR 1 million increase in R&D as compared to Q1 2018

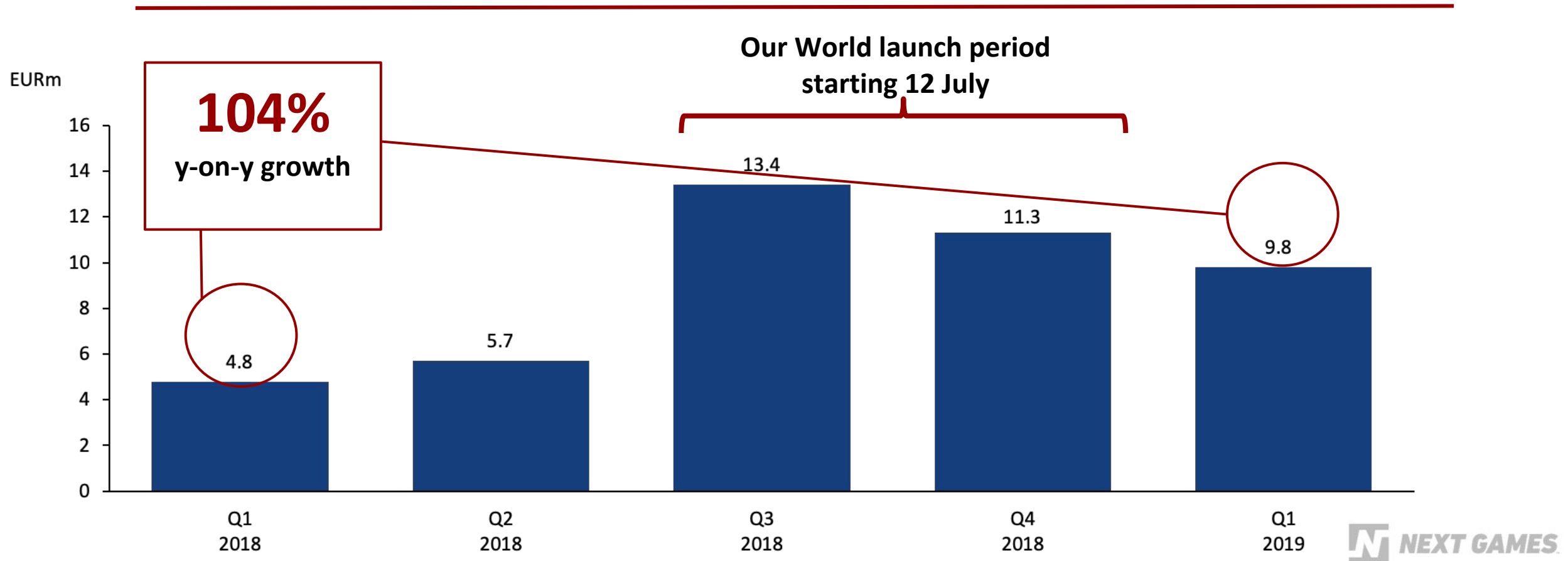
Administrative costs started decreasing as part of the cost savings plan initiated

EBIT was affected by depreciations related to game and technology investments.

Adjusted Operating Profit ultimately improved 753k

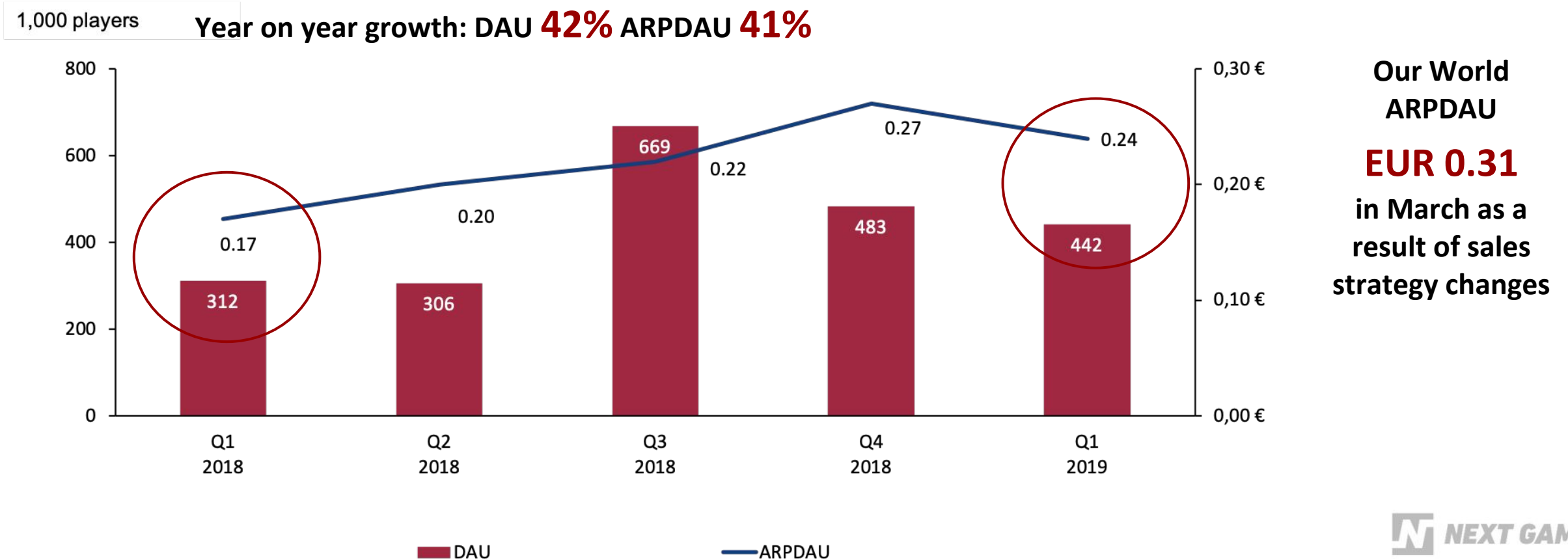
QUARTERLY REVENUE DEVELOPMENT

Q4 to Q1 Revenues are not comparable for seasonality reasons. Historically Q4 outperforms Q1 consistently mainly due to the impact of holiday season, including Halloween, Black Friday, Thanksgiving, and Christmas. As compared to Q1 2018, performance was significantly better, multiple factors contributed to the **104% year-on-year growth** in revenue.



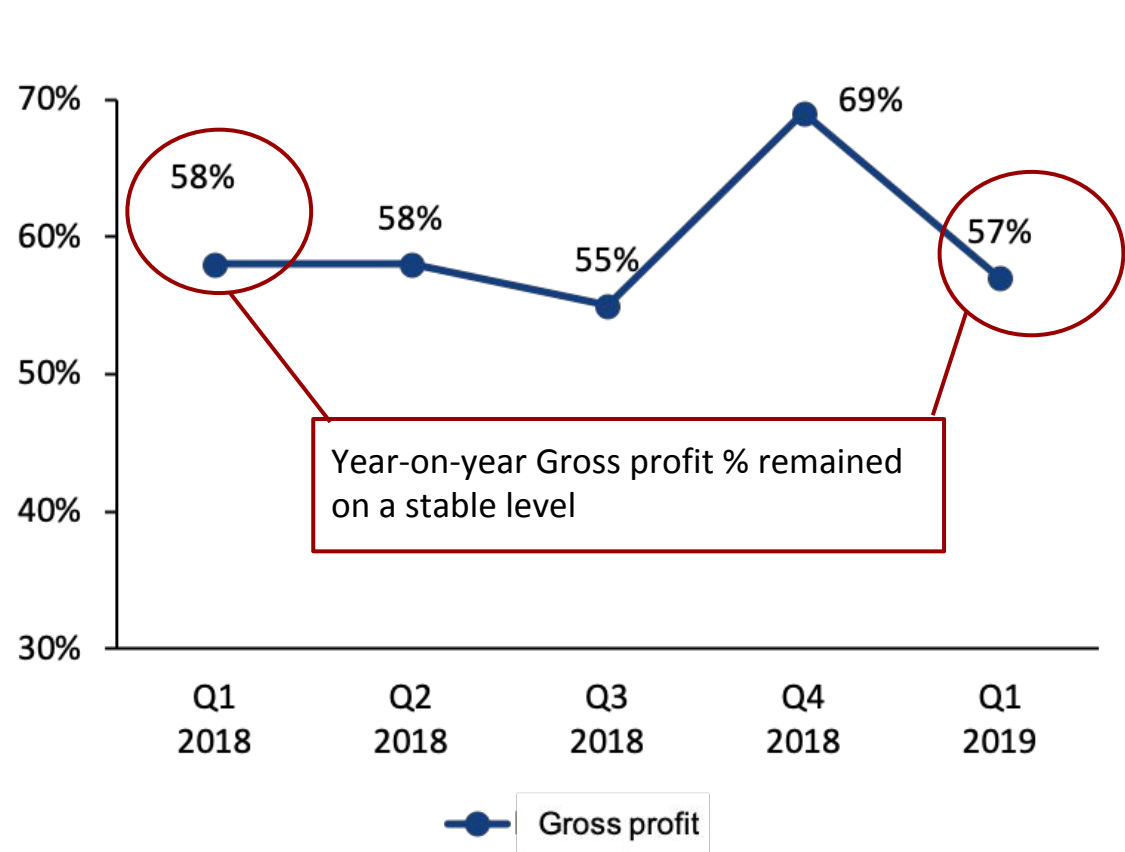
DAU and ARPDau DEVELOPMENT

The company succeeded in doubling year-on-year revenue, significantly growing both ARPDau (average revenue per daily active user) and daily active users (DAU), in comparison to Q1 2018, due to the addition of Our World.

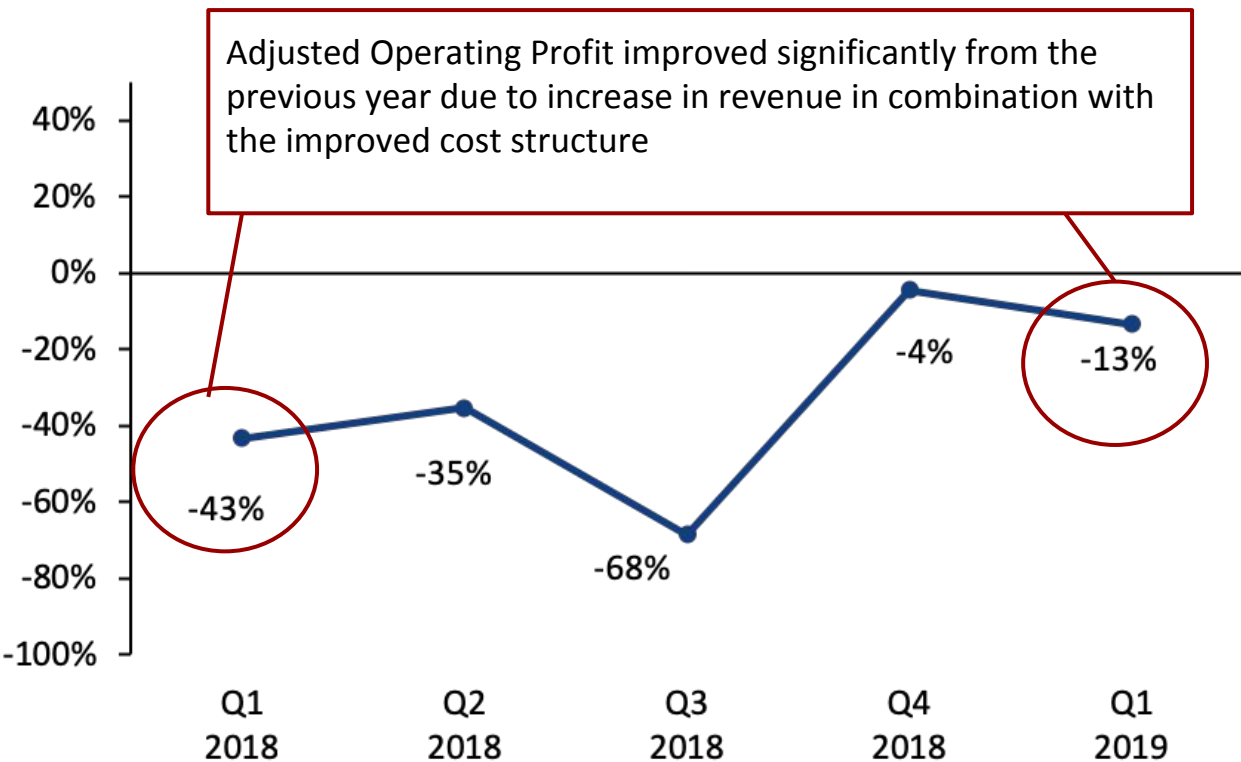


GROSS PROFIT and ADJUSTED OPERATING PROFIT

Gross Profit (%)



Adjusted operating profit (%)



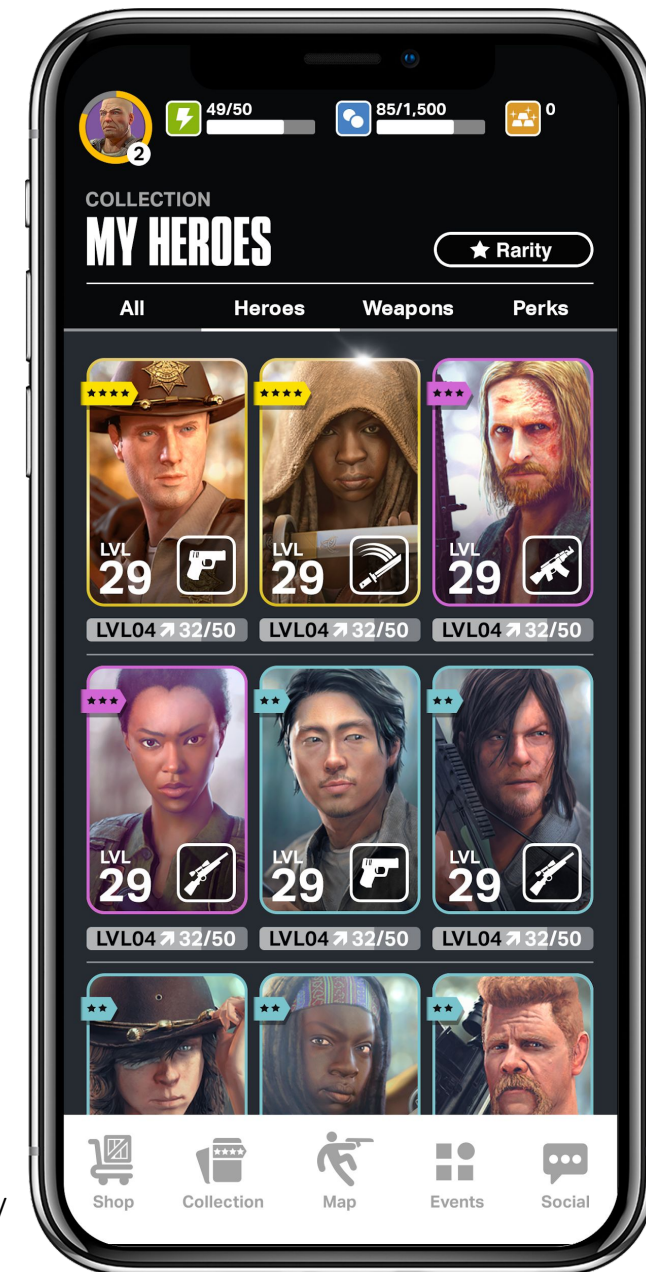


MARKET & STRATEGY OVERVIEW 2019

FINNISH GAME INDUSTRY REPORT STATISTICS

- The industry has matured to an over two billion Euro annual business
- The Finnish game industry employs approx 3,200 people, of which as many as 27 per cent are from abroad
 - Finnish game studios estimate that more than 500 jobs will be created in the next 12-18 months.
- In 2018 the number of new games published was approx 100 compared to 150-200 games per year rate in the past. Mainly due to developers shifting to create games as maintainable services instead of launching new ones more often
 - Only five out of the 30 biggest game studios launched a new game in 2018

Source: <http://www.neogames.fi/finnish-game-industry-report-2018/>



Strategy & Outlook 2019

Next Games is settling to a new stable foundation due to:

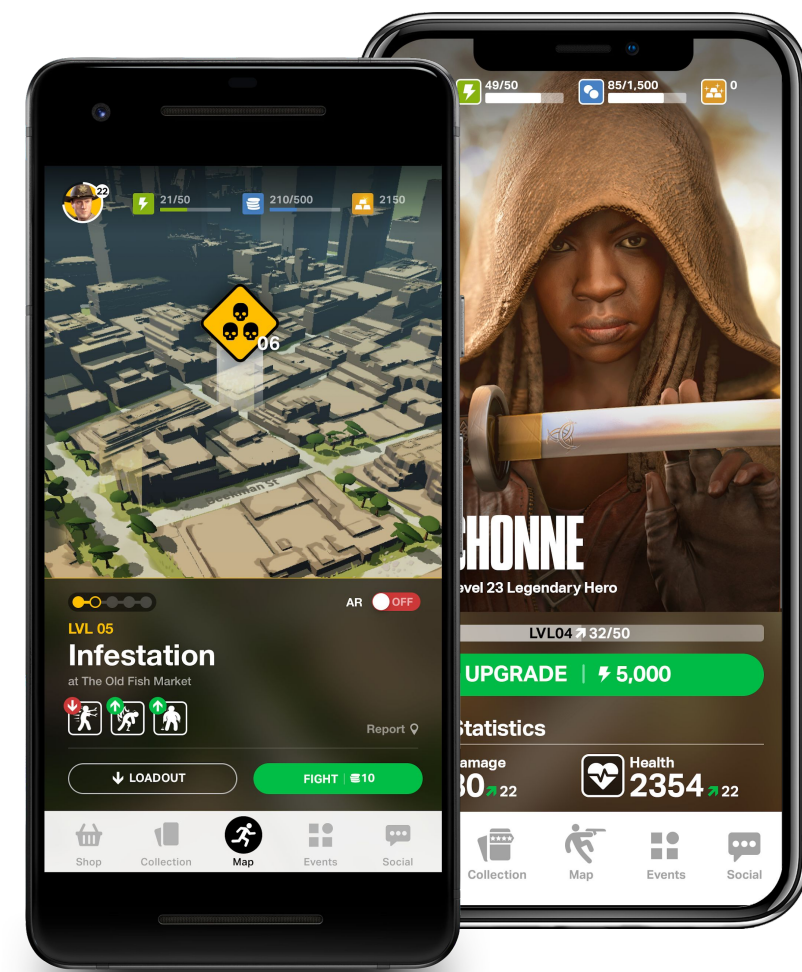
- Adapting our cost structure to a new level and
- Renewing our operational model and focusing on reusability through the company's technology and analytics platform, GaaS, code reuse and already developed gameplay mechanics

Next Games is in a good position to reconstruct its product portfolio with:

- More agile product development with faster time to market
- Very solid pipeline of potential 3rd party IPs to partner with
- Option to develop own IP

The company seeks year-on-year revenue growth and aims to achieve cash flow neutrality.

- First priority in 2019 has been to **stabilize the foundations** of the business operations to a new level.
- Secondly, potential **additional financing will be directed towards future product development needs as well as product launch investments**



UPCOMING EVENTS

21 May, 2019

Annual General Meeting

26 July, 2019

Half-year Review



QUESTIONS?



Nasdaq Helsinki First North: NXTGMS

nextgames.com | [@nxtgms](https://twitter.com/nxtgms) | facebook.com/nxtgms