



***NEXT GAMES***™

Q3 2019

# **BUSINESS REVIEW**

## **Q3 2019**

**Teemu Huuhtanen**  
**Chief Executive Officer**



# 2019 January -September FINANCIAL HIGHLIGHTS

- **Revenue increased 13%** and was 27 million euros (23.9)
- **Gross profit increased by 2 percentage points** and was 15.6 million euros, 58% of revenue (13.4 and 56%)
- **Adjusted operating profit improved by 10.3 million euros** and was -3.0 million euros (-13.3)

(2018 January-September comparison in brackets)

# Q3 2019 - TURNAROUND CONCLUDED

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

- The cost savings program has been successful and we have achieved a 1.1 million euro fixed cost level during the third quarter

## **2. PHASE CONCLUDED - 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
- New game development pipeline and reworked approach towards prototyping and concepting as well as timing with license negotiations in relation to game development process

## **3. PHASE CONCLUDED - SUCCESSFUL RIGHTS OFFERING**

- Pursuant to the authorization by the General Meeting, the Board of Directors of the company resolved on 25 September 2019 on a rights offering of approximately 8 million euros, in which a total of 9,298,430 shares were offered. The rights offering ended on 16 October 2019 and the shares offered were subscribed for in full.

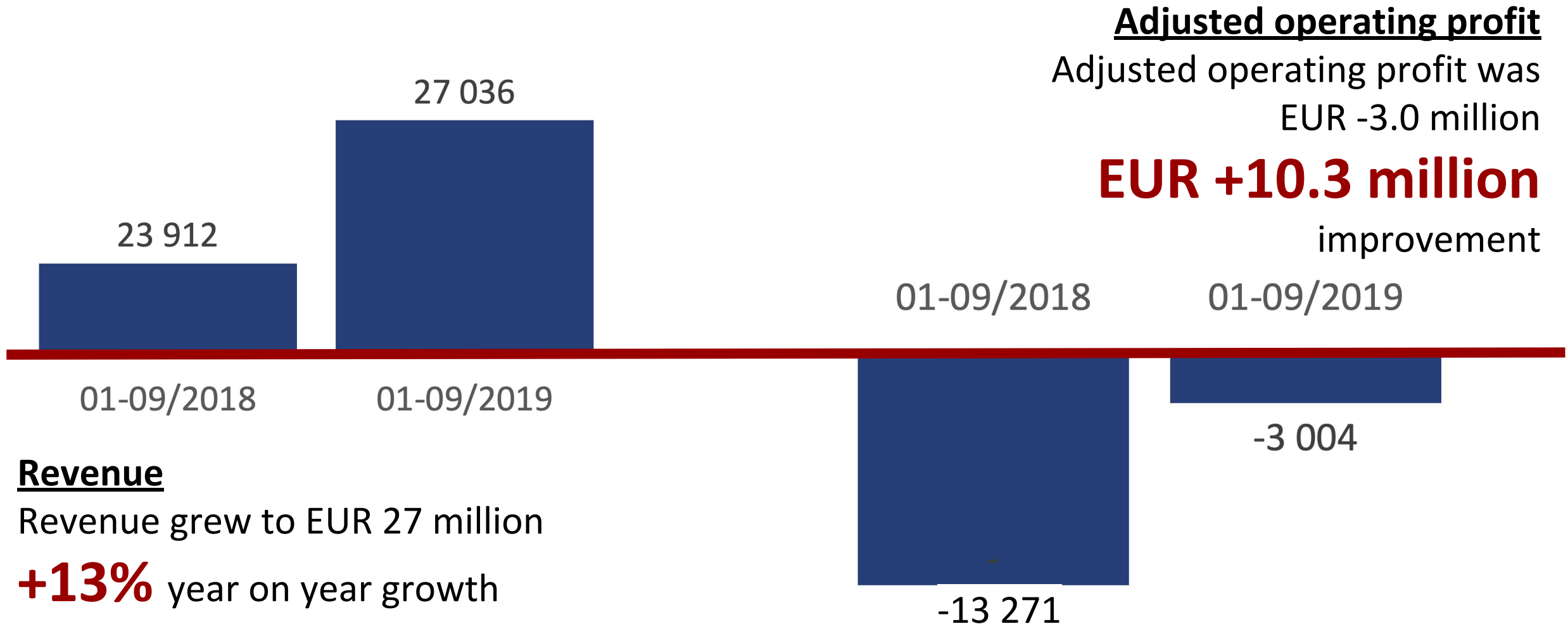
# FINANCIAL REVIEW

Annina Salvén

**Chief Financial Officer**



# REVENUE & OPERATING PROFIT DEVELOPMENT 1-9/2019





# COST SAVINGS

## Costs on a monthly level

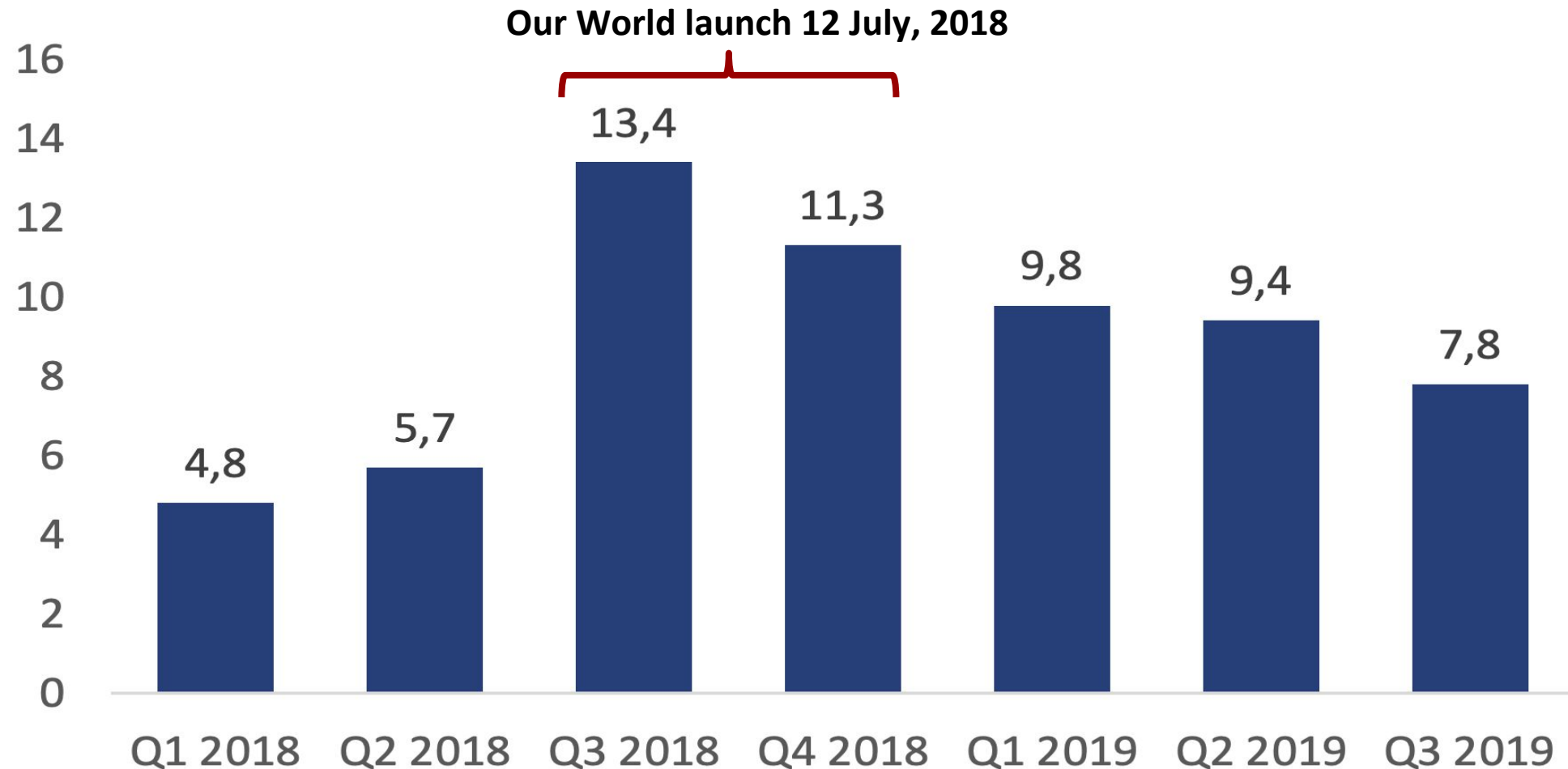
	H2	Q1	Q2	Q3	Actualized savings on a monthly level	Original annualized target
k€	2018	2019	2019	2019		
Research & Development services	320	70	40	70	-250	-3,180
Employee expenses	830	820	660	560	-270	-1,560
Other fixed costs	550	500	480	450	-100	-1,800
	1,700	1,390	1,180	1,080	-620	-6,540

The company has executed a cost savings program, **with a target of saving 550 thousand euros in salaries, administrative and product development costs**, compared to H2 2018. Annual savings are approximately EUR 6.5 million.

The company maintained the new level of cost savings by reaching its cost level of EUR 1.1 million a month. At the end of Q3 Next Games had 105 employees, compared to 143 employees at the end of Q3 2018.

# Q3 REVENUE DEVELOPMENT

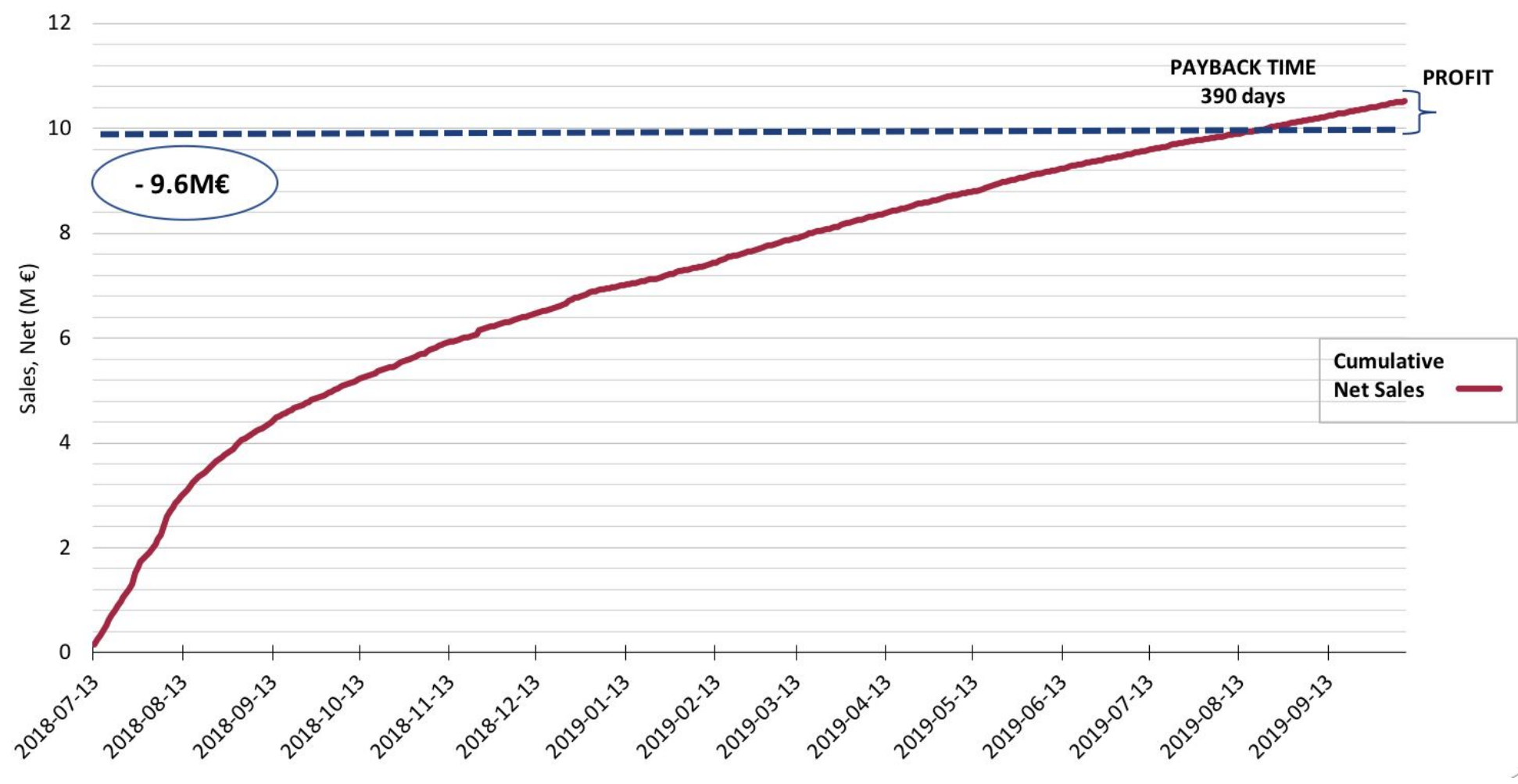
Sales from the third quarter of 2019 were lower compared to the comparison period last year. The launch of The Walking Dead: Our World had an effect on the level of revenue as the game was launched during the third quarter of 2018. Overall, the company's cumulative revenue grew by 13% compared to the comparison period.





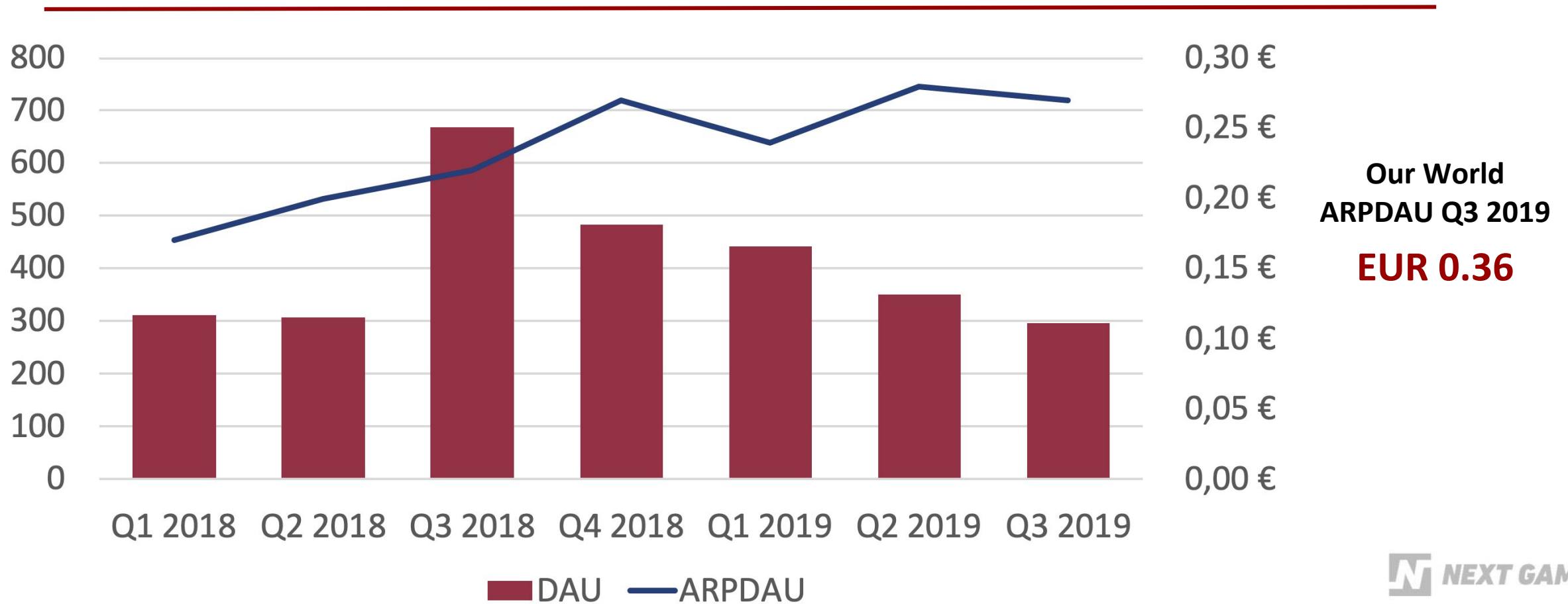
# Payback time of the initial investment made into The Walking Dead: Our World

The company invested 9.6 million euros into the marketing and user acquisition of The Walking Dead: Our World during the weeks following the launch. The players acquired through the launch investments generated back the invested amount in 390 days instead of the originally estimated 120 days. Our World as an independent project has been profitable since the fourth quarter of 2018.



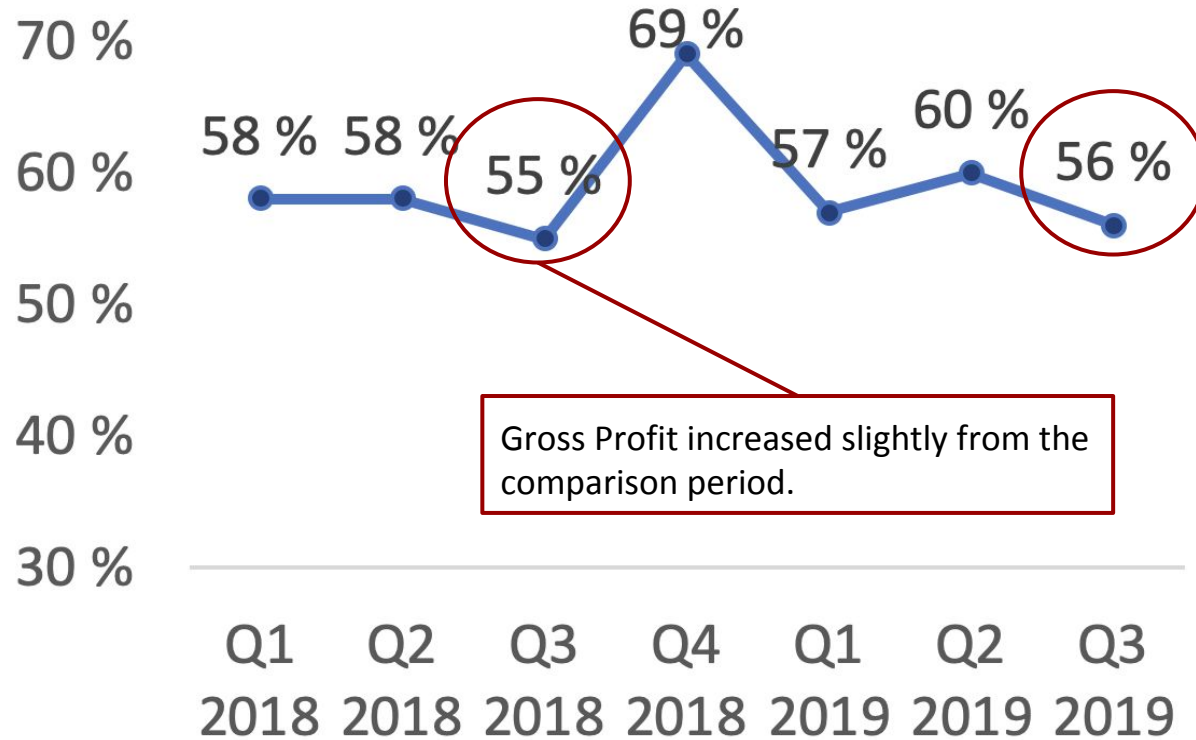
# DAU and ARPPDAU DEVELOPMENT

The company has succeeded in significantly growing and maintaining ARPPDAU (Average Revenue Per Daily Active User). Our World game has continued to maintain its high ARPPDAU level, ARPPDAU was EUR 0.36 in Q3 2019.

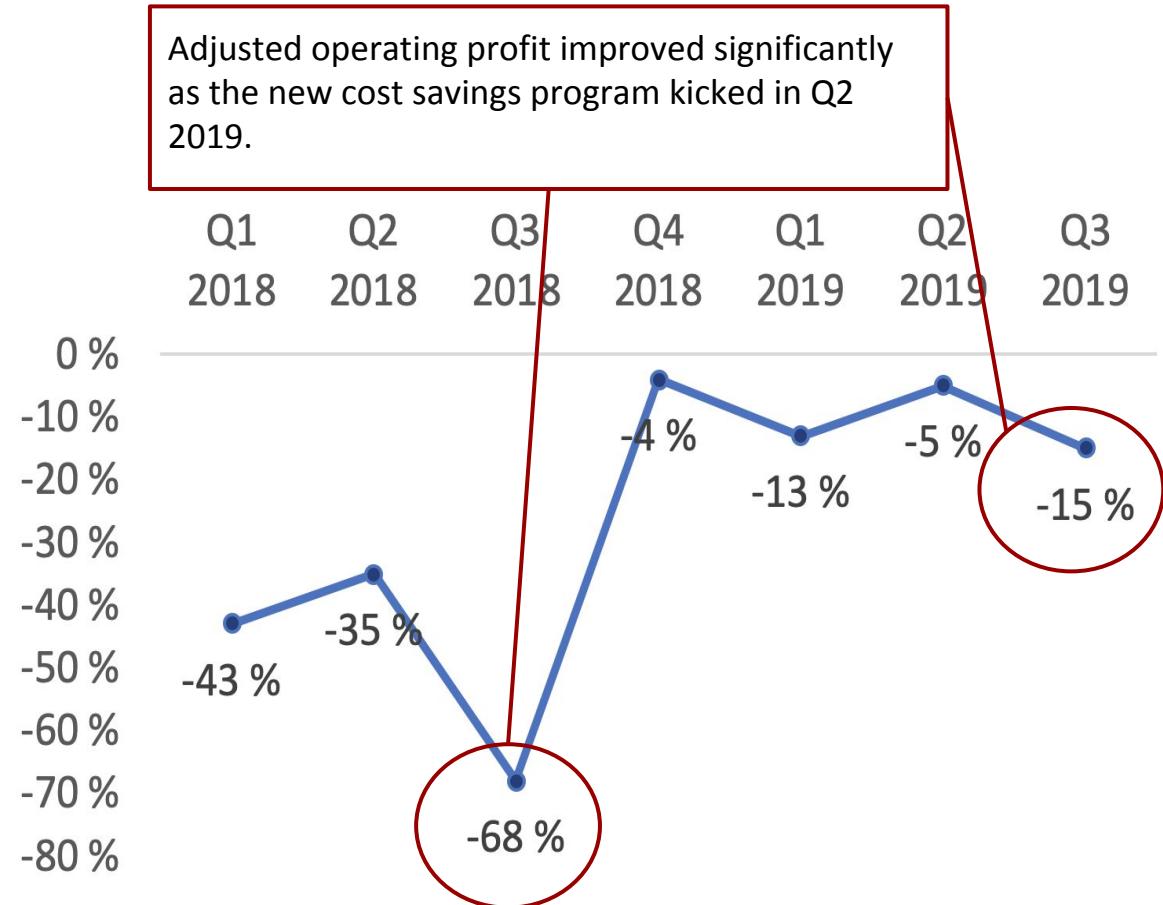


# GROSS PROFIT and ADJUSTED OPERATING PROFIT

## Gross Profit %



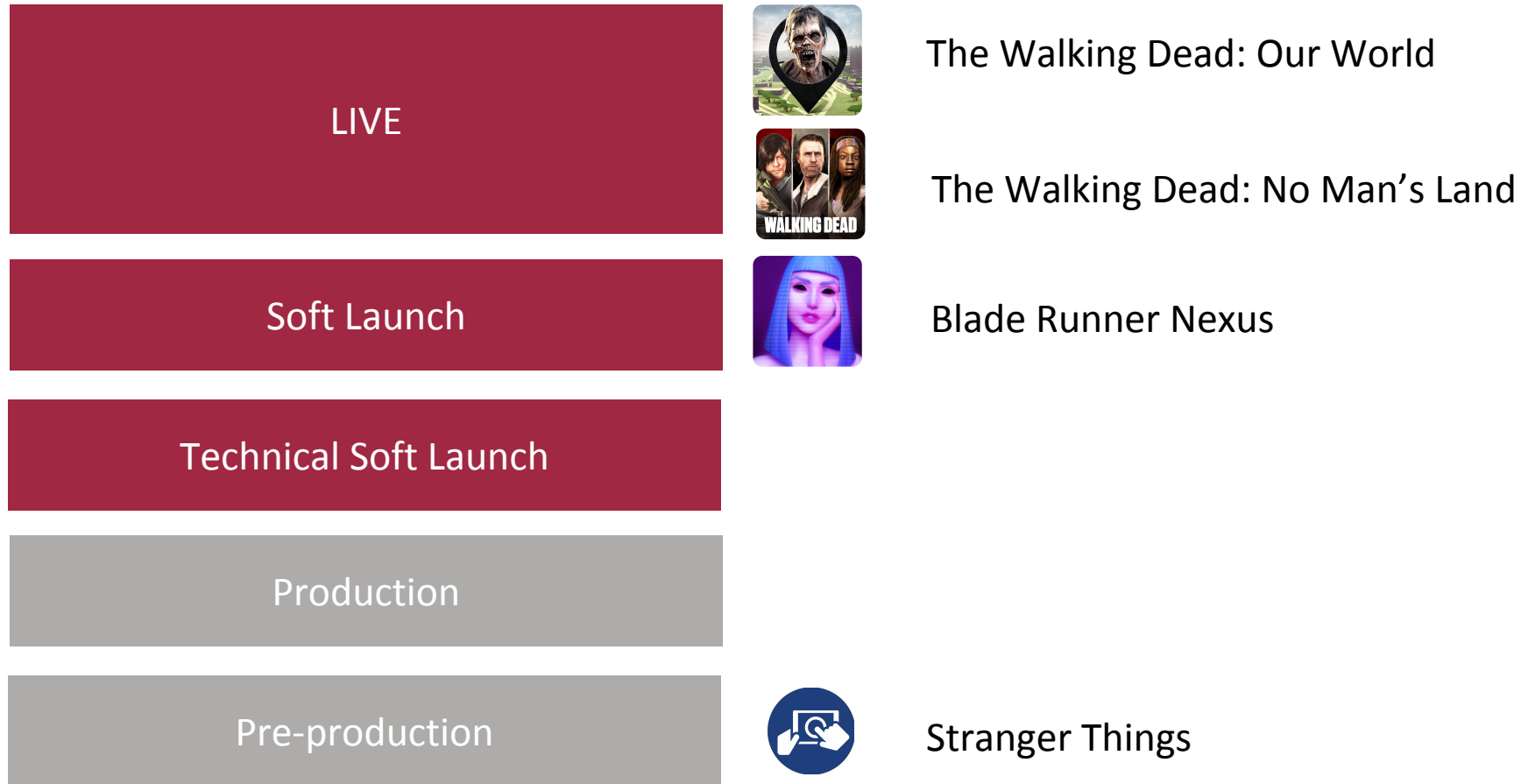
## Adjusted Operating Profit %





# GAME DEVELOPMENT PIPELINE

# GAME DEVELOPMENT PIPELINE Q3 2019





THE  
WALKING DEAD  
NO MAN'S  
LAND





# THE WALKING DEAD: NO MAN'S LAND

- The Walking Dead: No Man's Land team focused on a new game update, which was released for the 10th season of the TV show and to celebrate the game's fourth birthday. The update was released after the reporting period, and it was received positively by the players.
- The game's ARPDAU decreased compared to the third quarter of 2018, but remained on a satisfactory and typical level for the year 2019, even though the amount of daily active users decreased during the reporting period.

TWD: No Man's Land	07-09/2018	10-12/2018	01-03/2019	04-06/2019	07-09/2019
Gross Bookings (k€)	5,534	5,727	4,547	3,753	3,366
DAU	274,752	253,339	225,048	189,852	162,940
MAU	799,919	728,296	669,181	539,948	479,144
ARPDAU (USD)	0.26	0.28	0.25	0.24	0.23
ARPDAU (EUR)	0.24	0.25	0.22	0.22	0.21





THE  
**WALKING DEAD**  
**OUR WORLD**



# THE WALKING DEAD: OUR WORLD

- Next Games has succeeded in increasing The Walking Dead: Our World's ARPDAU by 56.5% compared to the third quarter of 2018.
- Gross sales however has declined due to a decrease in daily active users as the game has had challenges in upkeeping retention numbers.
- The team has focused on renewing the game's first time user experience and assumes the changes will have a favorable effect on the game's early retention towards the end of 2019.
- Provided there is a successful increase in retention and ARPDAU remains stable, the company has an opportunity to consider controlled upscaling of its marketing investments and strive to increase the game's active user number.
- Our World as an independent project has been profitable since the fourth quarter of 2018.



# THE WALKING DEAD: OUR WORLD - AVAINLUVUT

TWD: Our World	07-09/2018	10-12/2018	01-03/2019	04-06/2019	07-09/2019
Gross Bookings (k€)	8,219	5,793	4,961	5,200	4,473
DAU	386,109	222,943	210,693	154,936	127,078
MAU	2,096,120	758,542	982,345	602 486	528,751
ARPDau (USD)	0.27	0.31	0.29	0.41*	0.40
ARPDau (EUR)	0.23	0.28	0.26	0.37*	0.36

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

THE OFFICIAL MOBILE GAME

# BLADE RUNNER

N E X U S



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# BLADE RUNNER NEXUS

- Blade Runner Nexus' soft launch continued with a focus on usability testing with promising results.
- The game's testing was continued by various user group tests, that aimed at gathering insights from key markets.
- With the implemented improvements as well as clearly improved preliminary results, the company continues testing and finalizing the games functionalities.



**BLADE RUNNER**



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**N** NEXT GAMES **NETFLIX**

# STRANGER THINGS

# Stranger Things

- The Stranger Things game is nearing the end of pre-production phase.
- The focus has been to reuse existing technical components, which increases productivity and reduces the game's time to market.
- The development team grew with some additional team members and the team size is now close to optimal with regards to completion of the production phases.
- The company plans to launch the game according to the original plans in 2020.



**STRANGER THINGS**

# STRATEGY & OUTLOOK 2019



# 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 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

**28 February, 2020**

Financial Statement Bulletin for  
financial year 2019

Next Games' Annual Report 2019 is  
scheduled to be published in  
calendar week 11, 2020 at the latest.



# QUESTIONS?



Nasdaq Helsinki First North: NXTGMS

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