Some of G5’s best performing games
G5 Entertainment in brief

### Company overview

- Developer and publisher of casual free-to-play (F2P) games for tablets and smartphones
- Platforms: iPad, iPhone, Android, Amazon Kindle Fire
- Portfolio of 99 games: 11 F2P & 88 “unlockable”
- 10 F2P games (5 owned, 5 licensed) made over 85% of revenue in 15Q1
- 203 employees: Stockholm: 2, Malta: 2, San Francisco: 4, Moscow: 16, Kharkov: 179
- Own Technology, Analytics, Publishing platforms
- Over 210 million downloads as of 15Q1
- Listed on Nasdaq Stockholm since June 2014, public since October 2006 (3 SEK IPO price)

### G5 game portfolio (99 games)

- Distributed through App Stores
- Play on your mobile device
Worldwide Mobile Games Market

Digi-Capital, May 2015:
Worldwide mobile games revenue, $ Billion

Newzoo, October 2014:
Worldwide mobile games revenue, $ Billion

Gartner, August 2014:
Worldwide revenue from tablet games, $ Billion

- Best monetising players are in the West
- Fastest growing markets are elsewhere
- Total market CAGR forecast consensus 15-18%
- Tablet games: fastest growing sub-segment at 30% CAGR
G5 is growing faster than the market

Growing faster than the market in 2014 and 15Q1

- 2014 Growth: 82%, 15Q1 Growth: 75% - faster than the market, even after removing FX effect
- Strong top-line growth (5-yr CAGR of 80.61%)

![Graph showing annual and Q1 revenue growth from 2009 to 2015 with annual and Q1 YoY growth rates indicated by bars and lines. The graph shows a significant growth trend with peaks in 2011 and 2014.](image)
G5: Monetizing the West, serving players worldwide

- Games localized to 10 languages on day one
- Diverse currency revenues, FX stability

G5 revenue in 2014

- North America 55%
- EU 23%
- Asia & ROW 22%

Worldwide revenue in 2014: $21B

- Asia 54%
- Europe 16%
- North America 18%
- RoW 4%
- Latin America 8%

Source: SuperData Research, Oct 2014
Why G5 is interesting

**Double digit growth market**

- Hardware penetration growth continues
- Strong growth in tablet and smartphone app usage
- Games are still the most popular activity on tablets and smartphones
- The only fast-growing segment of games market

**Well positioned for further growth**

- A lot of room to grow in the market
- Growing faster than the market
- Highly skilled, low-cost developers in own studios
- Own Technology, Analytics, Publishing platforms
- Network of 3rd party partner studios

**Highly focused on genre and audience**

- Tablets are primary devices
- Genres: Adventure, Puzzle, Management
- Dominant demographic: Women 35+
- In some games, 55+ audience dominates
- Loyal players, growing demographic, low piracy

**Attractive business model**

- Mix of in-house development and licensing to pursue opportunities and reduce risk
- Growing portfolio of successful F2P games, 50% owned
- Retaining players for many months, even years
- Simple yet wide-reaching distribution channels
- Performance marketing + Analytics
Attractive business model

1. Development
   - In-house development
   - Outsourced development
   - 3rd party licensing

2. Publishing
   - "Free-to-play" 85% of Revenue
   - "Unlockable" 15% of Revenue
   - Game portfolio

3. Distribution
   - Users are re-engaged and offered new games through Publishing Platform
   - Analytics platform ensures high return on investment in user acquisition
   - Community is created and re-engaged through email, Facebook, G5 Friends Network, other channels
   - Few large distributors: Apple, Google, Amazon, and Microsoft
   - Worldwide reach with minimum effort
   - Occasional app store promotions
   - App store fees are 30% for billing, hosting and distribution
   - G5 keeps 70%

• G5 develops own games internally using its own cross-platform Technology
• G5 also outsources work to its network of 3rd party developers to scale the production of own games
• By using 3rd party licensing, G5 can reduce risk to try new ideas, or scale product portfolio faster
• Revenue share on 3rd party deals depends on the deal, but the starting point is 50%
Strong financial track record

Comments

- Proven financial track record of growth since 2009
- Successfully transformed to F2P business in 2013
- Re-investing profits into User Acquisition to speed up growth
- High growth, profitable, cash flow positive
- Growth is organic: no capital injections, not burning through cash reserves

- User Acquisition investment ramp up started in 14Q3
- Users Acquired are monetized over months and years, but User Acquisition expenses are NOT capitalized. They are taken as expense on PnL, the month they are made.

Sales (mSEK) and EBIT margins

Quarterly sales (mSEK) and EBIT margins
User Acquisition

- Every mature company in our sector spends on marketing.
- We can spend less, or we can spend more.
- For now, we choose to spend all we can, while we see that it is fundamentally profitable and therefore boosts growth.
- We could reduce UA spending, immediately have higher margins, but we’d have to accept slower growth.

- It’s not about what the next quarter brings, but about where we are heading.
- How to value the company in such situation?
- Think how big sales can be in 1-2 years, and apply reasonable or conservative profit margin.

Quarterly Revenue and UA spending (mSEK)

Quarterly sales (mSEK) and EBIT margins
# How to read new PnL format

Profit = Revenue – Variable Costs – Fixed Costs – UA costs

<table>
<thead>
<tr>
<th>Revenue</th>
<th>97 551</th>
<th>55 873</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>VARIABLE COSTS (kSEK)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>-28 626</td>
<td>-16 762</td>
<td></td>
</tr>
<tr>
<td>Royalty</td>
<td>-22 211</td>
<td>-14 796</td>
<td>50%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>46 714</td>
<td>24 315</td>
<td>92%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>48%</td>
<td>44%</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FIXED COSTS (kSEK)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>-8 327</td>
<td>-7 097</td>
<td></td>
</tr>
<tr>
<td>S&amp;M - UA</td>
<td>-2 181</td>
<td>-10</td>
<td>Reclass.</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>-8 299</td>
<td>-6 702</td>
<td></td>
</tr>
<tr>
<td>TOTAL FIXED COSTS</td>
<td>-18 807</td>
<td>-13 809</td>
<td>36%</td>
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</tbody>
</table>

| EBIT before UA (kSEK) | 25 292 | 11 050 | 129% |
| EBIT before UA margin | 26%    | 20%    |     |

User Acquisition Costs (discretionary) -20 765 -5 894 252%
UA as % of Revenue -21% -11%

| EBIT | 4 527 | 5 156 |
| EBIT margin | 5% | 9% |

Cash on account 38 325 34 346

- Revenue grows much faster than royalty, fixed costs
- High operational leverage
- High Gross Margin
- Variable and Fixed Costs take time and effort to change, if at all possible
- UA spending is 100% discretionary, can be stopped, no long-term commitments exist, real-time
- We decide what EBIT we will have in a quarter when decide on UA budget
- EBIT before UA grew 129% in 15Q1
- We organically increased UA budget 252% in 15Q1
- Cash on account about same, no new issues in 2014
### 2014 / 2015

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>• Free-to-play games are driving the business</td>
<td>• Free-to-play games will dominate the business</td>
</tr>
<tr>
<td>• Top line growth higher than the market’s</td>
<td>• Focus on own games</td>
</tr>
<tr>
<td>• Mastering of user acquisition and analytics</td>
<td>• Max out investment in user acquisition while fundamentally profitable</td>
</tr>
<tr>
<td>• Monetization improvement through updates</td>
<td>• Continued improvement of games</td>
</tr>
<tr>
<td>• Development of own games</td>
<td>• A number of new games (mostly own) coming to the market</td>
</tr>
<tr>
<td>• Listing on Nasdaq Stockholm</td>
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</table>
Summary

1. HIGH GROWTH MARKET: Tablet games revenue set to triple in 2014-2019

2. WELL POSITIONED FOR FURTHER GROWTH: Portfolio approach, focus on the audience, potential of hits

3. ATTRACTIVE AND SCALABLE BUSINESS MODEL WITH HIGH OPERATING LEVERAGE: Gross Margin of 48% and growing

4. STRONG FINANCIAL TRACK RECORD: 5-year CAGR of 80.61%, 75% sales growth in 15Q1