



Q2 2020 Financial results

July 23, 2020



Highlights of the quarter

- Gaming vertical has delivered its best quarter yet with a net sales growth of 15% to 743 (648) MSEK
- InnoGames increased in Active Daily Users (DAU) and Average Revenue Per Daily Active User (ARPDau) with 10% and 17% respectively compared to the same period last year
- The esports vertical has performed relatively strong compared to the financial guidance provided for H1 2020. This was driven by higher esports services (ESS) revenue, good cost control and a more favorable revenue mix with larger media component
- MTG group delivered net sales on the same level as last year at 1,096 (1,095) MSEK
- MTG group's adjusted EBITDA in the quarter amounted to 167 (88) MSEK with an adjusted EBITDA margin of 15% (8%). Margin increase mainly due to strong performance in gaming and improved operational efficiency in esports



Esports: New strategic partnerships, successful online productions and good cost control

Securing new media partners and publisher deals



ESL and DreamHack announced the entering into a three-year streaming agreement with Twitch



ESL and DreamHack signs deal with Huya as exclusive digital media partner of major esports competitions in Mandarin-language



DreamHack enter in an agreement with Epic Games to launch a new Fortnite tournament series with an aggregated 1.75 MUSD prize pool



DreamHack has reached agreement with Psyonix to be the production partner for Rocket League Championship Series X

Successfully executing O&O and ESS in an online format

ESL Pro League S11 Denver (CS:GO)

Most successful season in the competition's history with record-breaking peak CCU across all digital platforms

ESL One Los Angeles & Birmingham (Dota 2)

Successful transition into online format with new ESL Dota 2 all-time peak CCU

Gamers without Borders (ESS)

Largest esports charity event with a 10 MUSD prize pool donated to seven charities. Hosted 200k matches, united 300k players from 82 countries and 15M viewers.

ESL One Road to Rio (CS:GO)

Became the largest ESL global tournament ever held. Four weeklong series featuring 56 teams from 44 nations

Continuing to professionalize esports by onboarding premium partners



mastercard.



B2C services in focus



ESL Play: A tournament hub in browser and mobile

ESL Play is ESL's cross-game tournament hub open for players of all skill levels. Available in browser and mobile format, ESL Play is powered by a state-of-the-art tournament engine with support for over 100 games.



ESL and Sony PlayStation 4 competitive platform

Additional to the browser and mobile versions, ESL Play is seamlessly integrated with Sony's PlayStation 4. With an ESL account, the integration offers easy access to tournaments in the console dashboard.



ESEA: Improving the CS:GO player experience

ESL's CS:GO platform that improves the player experience by providing superior anti-cheat systems and matchmaking servers. Additionally, ESEA offers ranking systems and tournaments around the core matchmaking.

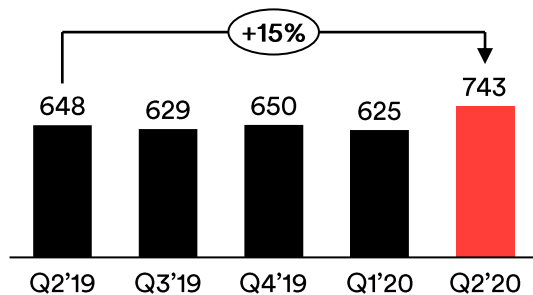


Community Clash: The DreamHack Lan online

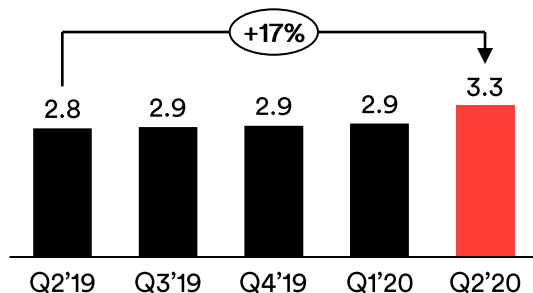
During the pandemic, DreamHack has released a new series of Community Clash: weekly online tournaments and community leaderboards in multiple titles such as League of Legends, Valorant and CS:GO.

Gaming: Record quarter for the vertical

Gaming net sales, reported (MSEK)



Gaming ARPDAU* (SEK)



*Average Revenue Per Daily Active User (ARPDAU) for InnoGames and Kongregate combined



InnoGames delivering its best quarter yet

- Sales increased across the entire active portfolio of games
- Increased investments in marketing campaigns during the quarter which gave a positive effect on user acquisitions and accelerated DAU
- Forge of Empires improved sequentially to a new record high
- Old customers are returning to their favorite browser games during the pandemic. InnoGames browser game revenue have increased 26% since the previous quarter
- DAU +10% (compared to Q2'19)
- ARPDAU +17% (compared to Q2'19)
- Looking ahead, four mobile-first titles are planned to be tested in the market in 2020

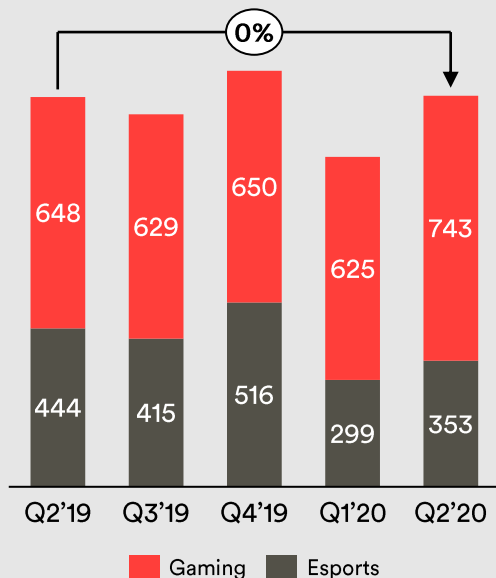
KONGREGATE

Kongregate impacted by loss of two third-party games

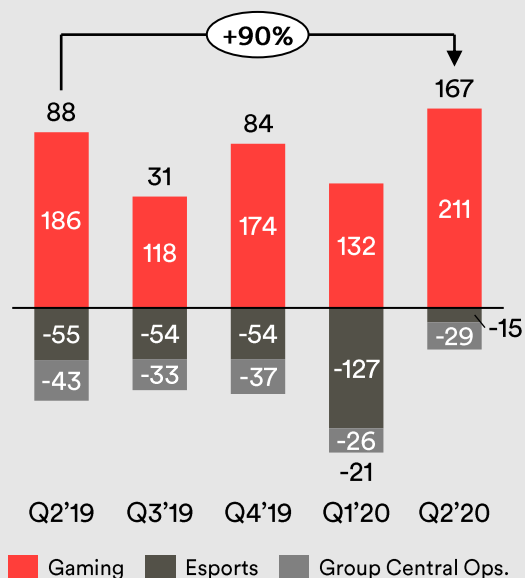
- Underlying business yield positive results but did not record growth in net sales or EBITDA
- Negatively impacted by two third-party games no longer being part of the game's portfolio as part of the company's focus on its own titles and long-term profitable partnerships
- First party games Idle Frontier and BitHeroes continue to demonstrate positive results
- Negatively impacted by the Covid-19 pandemic on in-game ad sales
- Three new titles introduced during Q2 and a fourth, Teenage Mutant Ninja Turtles, being released in H2 2020

Quarterly revenue and adj. EBITDA

**Net sales, reported
(MSEK)**



**Adjusted EBITDA
(MSEK)**



Comments

- Net sales on a reported and organic basis were on the same level as last year
- Gaming net sales grew by 15% YoY driven by strong underlying in-game monetization and boosted by high user engagement during the pandemic
- Gaming adjusted EBITDA was 211 (186) MSEK representing a seasonally high margin of 28% (29%) including increased marketing efforts
- Esports net sales declined by 21% YoY to 353 (444) MSEK due to Master, challenger, and festival properties being moved online, postponed or cancelled due to the Covid-19 pandemic
- Esports adjusted EBITDA loss amounted to -15 (-55) MSEK where the improvement was driven by cost savings and a more favorable revenue mix as the share of media revenue increased combined with strong ESS revenues

Cashflow statement

(MSEK)	Q2 2020	Q2 2019	FY 2019
Cash flow from operations	164	-40	-71
Changes in working capital	-43	-29	-117
Net cash flow to/from operations	121	-69	-188
Cash flow from/used in investing activities	-81	1,773	1,546
Cash flow from/used in financing activities	-202	-119	40
Net change in cash, continuing operations	-162	1,585	1,398
Net change in cash, discontinued operations	-	-237	-653
Total net change in cash and cash equivalents	-162	1,348	746
Cash and cash equivalents at the beginning of the period	1,806	479	862
Translation differences in cash and cash equivalents	-73	21	4
Cash and cash equivalents at the end of the period	1,571	2,085	1,824

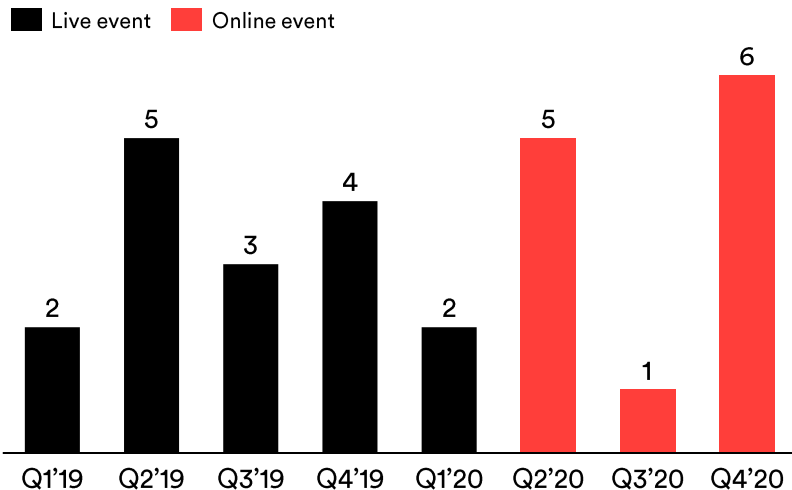
Comments

- Cash flow from operations before changes in working capital amounted to 164 (-40) MSEK. Net cash flow from operations amounted to 121 (-69) MSEK
- Cash flow used in investing activities contain smaller earn-outs and capital expenditure within the esport vertical on tangible and intangible assets, mainly capitalized development costs for games and platforms of 38 and 44 MSEK respectively. Total -81 (1,773) MSEK where last year contain the sale of shares in Nova
- Cash flow from financing activities amounted to -202 (119) MSEK, mainly dividend paid to InnoGames minority
- The group had cash and cash equivalents of 1,571 (2,085) MSEK at end of period

Outlook: Esport tournaments to remain online for 2020 and normalized growth for gaming

Several Q3'20 Master property* esport events have been postponed to Q4'20 or Q1'21 which will impact Q3'20 revenue

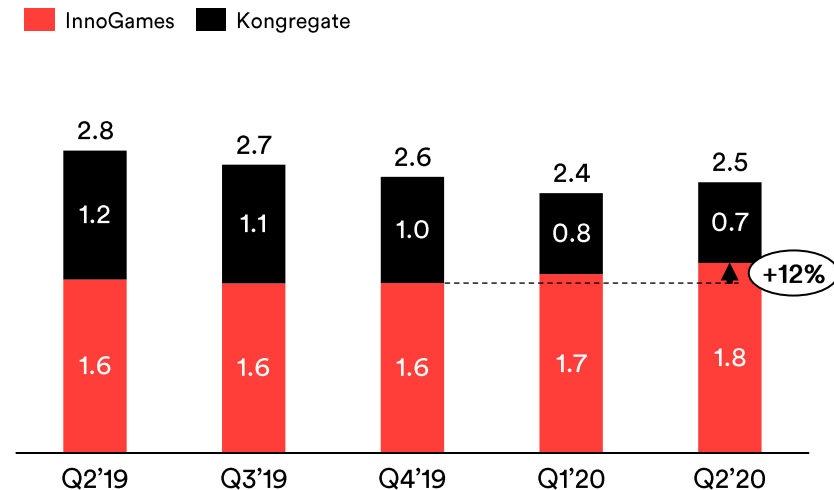
Number of esport Master properties per quarter



*For an O&O Property to be considered a "Masters Property" it must meet the following three criteria:
(i) Consist of globally high-ranked professional teams, (ii) generate external sales over MSEK 15 and
(iii) be a recurring event.

Gaming DAU expected to remain elevated, but growth rate expected to stabilize at normal levels going forwards

Gaming Daily Active Users (DAU) (Millions)



Guidance: Second half of 2020



- Revenue in esports vertical is expected to decline by 30-40% in 2H 2020, compared with the corresponding period in 2019 as a result of the Covid-19 pandemic and its impact on live events
- This decline is predominantly driven by most O&O and ESS events being either moved online in H2 2020, postponed to 2021, or in a few occasions canceled
- We expect a return to a more normal operational performance starting from when borders are fully open, and it is once again possible to conduct live events under safe conditions
- ESL and DreamHack will continue to reduce both COGS and fixed costs. These savings will be at least 325 MSEK for H2 2020 compared to H2 2019
- As a result, group adjusted EBITDA for H2 2020 is expected to amount between 250-300 MSEK, supported by the strong performance of the gaming vertical

Summary for Q2 2020

- Strong second quarter driven by record gaming vertical results. Continued execution and push of our strategy to commercialize esports and grow the user base of our gaming vertical
- Our expectation is that our esports vertical and its properties will be online for the remainder of the year
- Going forward, to mitigate and navigate the impact of the pandemic, our priorities remain clear:
 - 1 Business continuity
 - 2 Operational efficiency
 - 3 Seizing of new business opportunities
- We maintain a strong financial position to deliver on our three strategic priorities

