

COMPANY PRESENTATION



FUNCOM

5. December 2019

CFO Stian Drageset



FUNCOM IN BRIEF

THE COMPANY

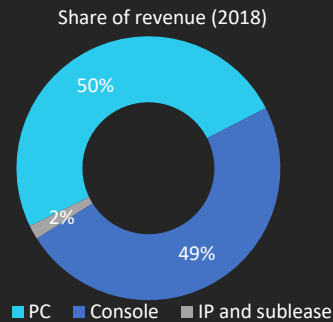
Developer and publisher of online games and massive open world sandboxes for PC and consoles

Founded in 1993, listed on Oslo Stock Exchange since 2005

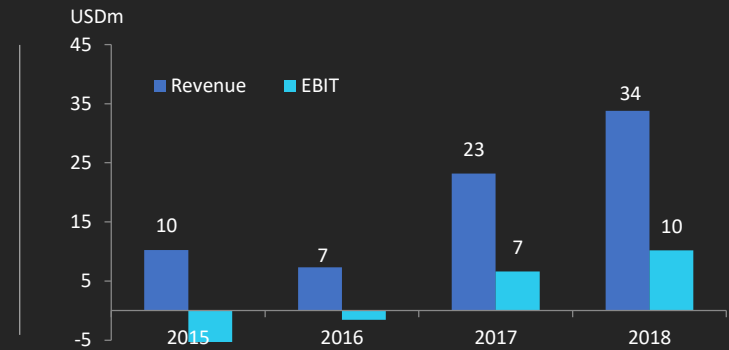


Tencent acquired 29% in 2019

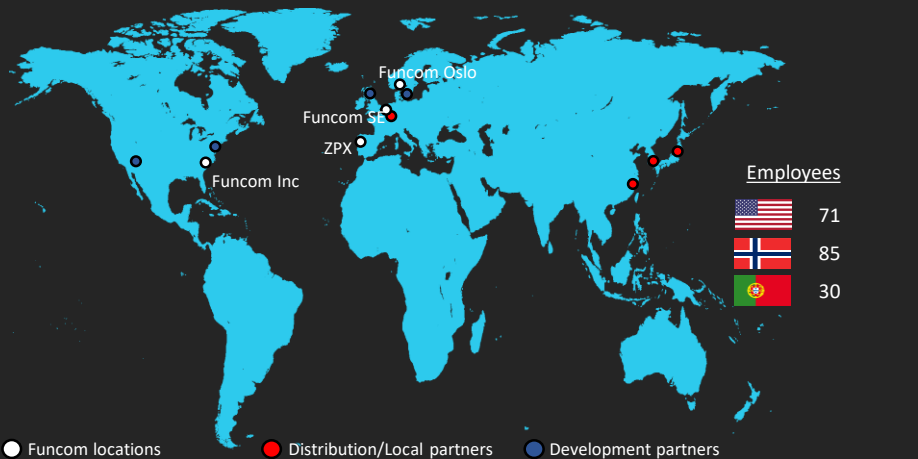
SEGMENTS



SUCCESSFUL TURNAROUND



LOCATIONS AND STAFF



GAMES PORTFOLIO OVERVIEW



Conan Unconquered
Release: Q2 2019
PC
[Trailer](#)



Secret World Legends
Relaunch: 2017
PC



Mutant Year Zero: Road to Eden
Release: 2018
PC XBOX PS4
[Trailer](#)



Age Of Conan
Release: 2008
PC



Conan Exiles
Release: 2017
PC XBOX PS4
[Trailer](#)



Moons of Madness
Release: 2019
PC





STRATEGIC SHIFT BEHIND THE SUCCESSFUL TURNAROUND

BEFORE TURNAROUND



TODAY



Largest owners	KGJI shipping	 
IP	Internally developed, no ownership of Conan	 
Publishing	None	Publishing externally developed games
Console	None	Console doubles market at low cost
Internal PC games	3-7 yr dev time Focus on 1 game	1-2 yr dev time 2 parallel games

More launches and revenue streams, improved profitability



FUNCOM IS WELL POSITIONED IN ITS MARKET NICHE

STRONG POSITION IN MARKET NICHE

LESS COMPETITION FROM LARGER PLAYERS

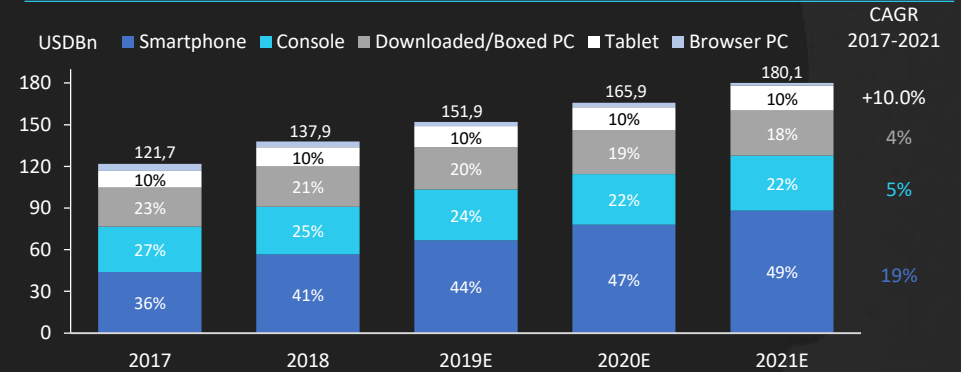
- Funcom's main niche segment is open-world sandbox games where larger industry players such as Blizzard, Ubisoft and EA are not present
- These players typically focus on the largest mainstream segments

TECHNICAL BARRIERS FOR INDIE STUDIOS

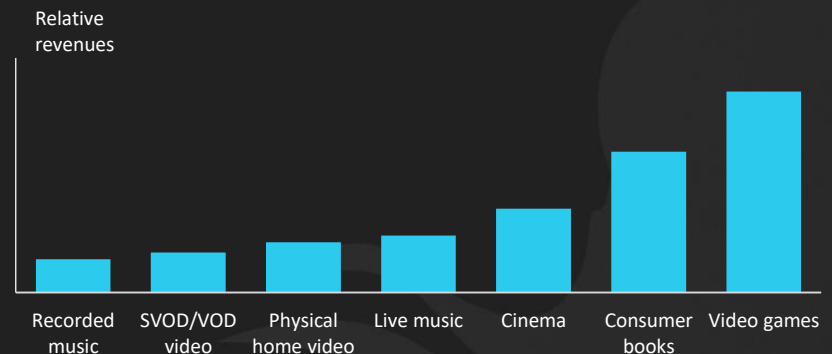
- Multi-player elements require highly technically skilled organizations as Funcom developed through MMOs
- As a result, Funcom can choose niches that are too difficult for most small studios to operate within

LARGE AND FAST-GROWING MARKET

USD 150BN MARKET GROWING AT ~10%



VIDEO GAMING IS THE LARGEST ENTERTAINMENT INDUSTRY





FUNCOM

BROADENING PORTFOLIO OF GAMES

CONAN



SECRET WORLD



The Longest Journey



Anarchy Online





FUNCOM

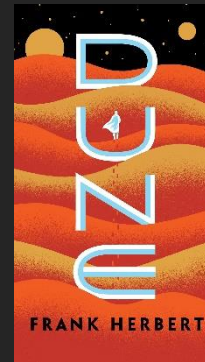
DUNE STRENGTHENING REACH TO A BROAD SET OF IPS

JOINT OPERATION



CONAN and 10+ lesser known IPs

EXCLUSIVE 6YR LICENSE



FULLY OWNED IP

SECRET WORLD

The Longest Journey

Anarchy Online





EXCLUSIVE ACCESS TO DUNE IP HOLLYWOOD BLOCKBUSTER IN DEC '20



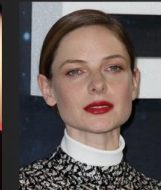
Exclusive six-year PC and console partnership

Legendary and Warner Brothers working on high-profile film and tv adaptation with Denis Villeneuve

- Dec '20 blockbuster: 10+ Oscar winners /nominees
- Sequel Dune film
- TV series, *Dune: The Sisterhood*

Funcom to publish several Dune games

- Survival Open World Multiplayer
- Maximizing synergies with films / tv-series





TENCENT ACQUIRED 29% OF FUNCOM



Tencent

TENCENT

- Highest online game revenue globally
- Strong track record investing in growth: Riot Games, Epic, Supercell, Ubisoft, Paradox, Frontier and Miniclip
- Strong industry reputation, no interference in operations

THE SHARE PURCHASE

- Acquired 29% of Funcom shares
- NOK 15.75/share, 22% above market price
- No cash infusion, shares bought from KGJ Capital AS

COMPELLING PARTNERSHIP

- Industry expertise
- Network
- China access
- Investor validation
- Financially strong and growth-oriented owner



ZPX ACQUISITION - HIGH QUALITY, COST EFFICIENT DEVELOPMENT

STRATEGIC RATIONALE

Secures cost efficient, highly skilled development capacity

Independent service provider – secures capacity, but still variable cost

Successfully delivered work on Funcom games 2 years ahead of acquisition

THE COMPANY

Game development service supplier situated in Lisbon, Portugal

15 talented employees at time of acquisition, doubled first year

Quality and client focused attitude, range of clients

THE DEAL

Acquisition: 50.1% of ZPX shares

Consideration: EUR 150k paid as 102 363 shares and undisclosed cash amount

ZPX was profitable in 2018

Cost savings first year cover purchase price



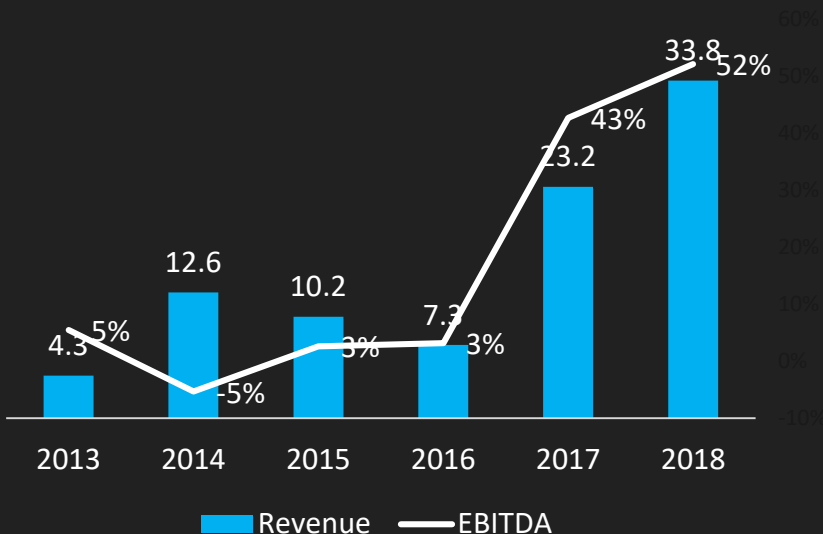


FINANCIALS



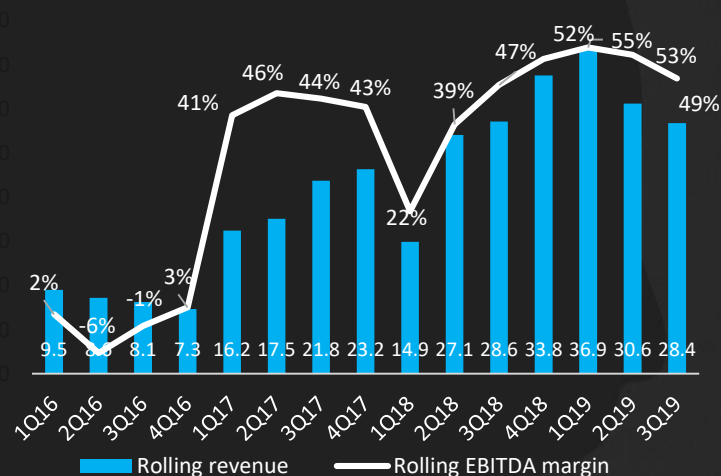
HIGH EBITDA MARGINS OVER TIME

Revenue (MUSD) and EBITDA margin



- 2017, 2018 most profitable years to date, turnaround successful

12mth rolling revenue (MUSD) and EBITDA margin

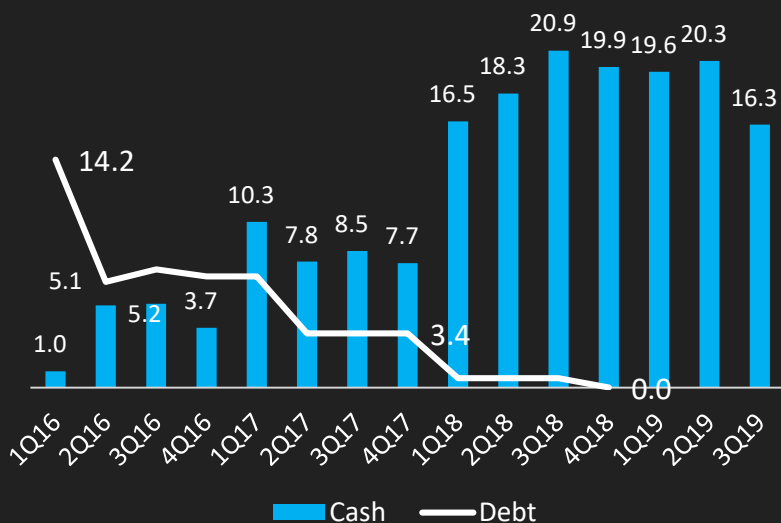


- Stable high margins encouraging sign of multi-launch strategy and Games as a service business model

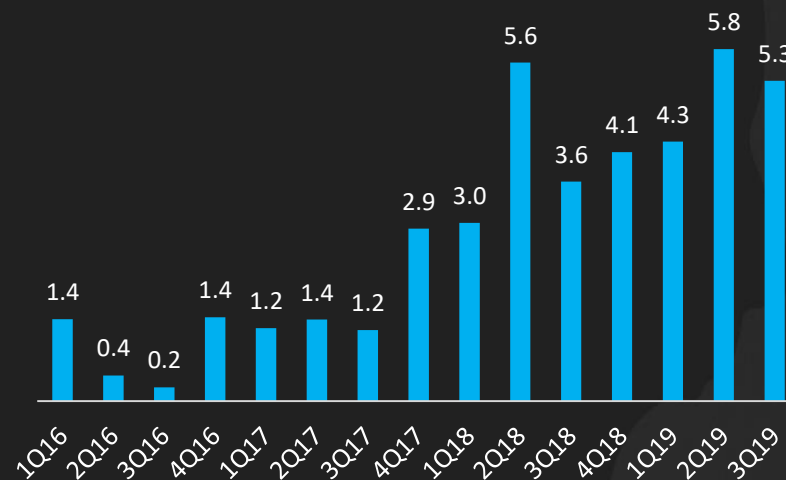


SIGNIFICANT CASH POSITION DESPITE HIGH INVESTMENTS

Cash and debt (MUSD)



Investments (MUSD)



- Strong cash position, 3Q19 decline due to game investments and currency effects

- Growing investments

Note: Debt is face value of interest-bearing debt

Investments are investments in intangible assets and equipment in the relevant quarter, dominated by game development.



GAME ACTIVITIES & PIPELINE

GAME ACTIVITIES (1)



GAMES: Anarchy Online, Age of Conan, Secret World Legends
GENRE: MMORPG
BUSINESS MODEL: Free-to-Play, Game as a Service
DEVELOPER: Funcom
PLATFORMS: PC
Q3 ACTIVITIES: Community events

SECRET WORLD
LEGENDS



GENRE: Survival Strategy
IP: Conan The Barbarian
BUSINESS MODEL: Premium
DEVELOPER: Petroglyph
PLATFORMS: PC
Q3 ACTIVITY: Free update



GENRE: Horror adventure
BUSINESS MODEL: Premium
DEVELOPER: Funcom
PLATFORMS: PC, XBONE, PS4, Switch
AFTER Q3 ACTIVITY: Switch Launch

THE PARK



GENRE: Tactical Adventure
IP: Mutant: Year Zero
BUSINESS MODEL: Premium + DLC
DEVELOPER: The Bearded Ladies
PLATFORMS: PC, XB ONE, PS4, Switch
Q3 ACTIVITIES: DLC, Switch & retail release (30 July), Epic free week

GAME ACTIVITIES (2) – CONAN EXILES



GENRE:

**OPEN WORLD
MULTIPLAYER**

IP:

**CONAN THE
BARBARIAN**

Q3 ACTIVITIES:

*Blood & Sand DLC
Steam Free
Weekend*

ACTIVITIES AFTER 3Q:

*DLC – Oct
DLC, mounts, SFW¹ – Dec
Larger update 1H 2020*

DEVELOPER:

FUNCOM OSLO

BUSINESS MODEL:

PREMIUM + DLC

1) SFW – Steam Free Weekend

* Inspiration art piece, not necessarily representative of the game



MOONS OF MADNESS RELEASED 22 OCTOBER (AFTER 3Q)

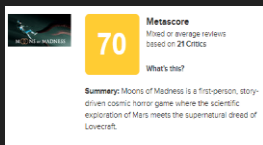
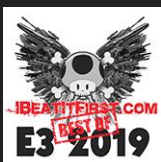
POSITIVE PRESS RECEPTION

“Moons of Madness is a great tribute to Lovecraft’s works that will immerse you in a dark and terrifying story on the surface of Mars.”

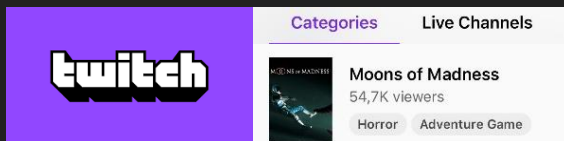
- Eurogamer Italy

“Moons of Madness is a wonderfully chilling outing that blends horror and sci-fi to excellent effect, delivering a palpable sense of dread.”

- Gamespew



TWITCH TOP 10, POSITIVE PLAYER REVIEWS



- More than 60,000 concurrent viewers
- Played extensively by key influencers like Lirik and CohhCarnage




75% positive reviews

PS4 & XB ONE RELEASE 21. JAN '20

- Good addition to broaden Funcom portfolio
- PS4 and XB ONE release on 21 January 2020



GENRE: Single-player horror/puzzle
PLATFORMS : PC – XB ONE – PS4
RELEASE : PS4 - XB ONE, 21 Jan '20
STATUS : Released on PC



NEW GAME – DUNE OPEN-WORLD

GENRE:

**OPEN WORLD
MULTIPLAYER**

IP:

Frank Herbert's
DUNE

**DEVELOPMENT
STAGE:**

PRE-PRODUCTION

TIMELINE:

TBA

DEVELOPER:

FUNCOM OSLO

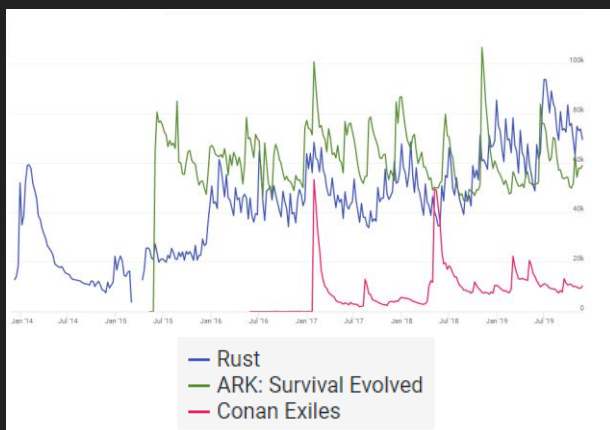
BUSINESS MODEL:

**PREMIUM
Game as a Service**



THE OPEN WORLD SURVIVAL GENRE HAS LARGE POTENTIAL

LARGE POTENTIAL BEYOND EXILES TODAY



- Despite Exiles success other games in genre have more concurrent users
- Exiles suffers from initial shoestring development

CURRENT STATUS

- Gamer excitement around survival & crafting in open-world in initial innovation and growth phase
- All games being hard to learn and clunky with bugs has so far prevented mass market success
- No single game dominates

FUTURE GROWTH POTENTIAL

- History suggests the next breakout genre likely a multi-player genre existing today, that needs refinement
- Solving issues in today's Open World Survival games can bring it to the mass market

Dune to leverage Exiles learnings and address shortcomings of today's open world games

NEW GAME – CO-OP SHOOTER



CUSTOMIZATION

MATCHMAKING

PROGRESSION

GENRE:

**MULTIPLAYER
CO-OP SHOOTER**

IP:

**MUTANT
CHRONICLES**

**DEVELOPMENT
STAGE:**

PRODUCTION

TIMELINE:

2020

DEVELOPER:

FUNCOM INC

BUSINESS MODEL:

**PREMIUM
Game as a Service**

* Inspiration art piece, not necessarily representative of the game



UPCOMING PUBLISHING RELEASES

REVEALED GAMES



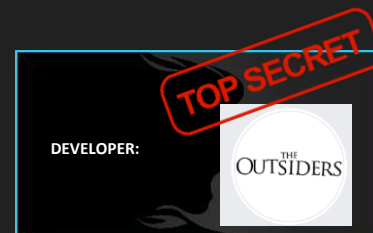
GENRE : Single & Multiplayer
Rogue-like"
PLATFORMS : PC – XBONE – PS4 – Switch
RELEASE : Q1 2020
STATUS : In Production



GENRE : Single-player horror/puzzle
PLATFORMS : PC - XBOX ONE – PS4
RELEASE : PS4 - XBONE, 21 Jan '20
STATUS : Released on PC



NOT YET REVEALED GAMES



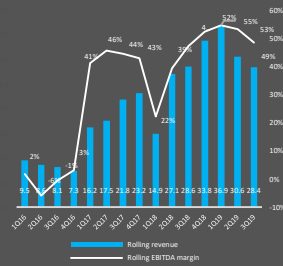
10 active projects: 5 new + 5 existing game projects



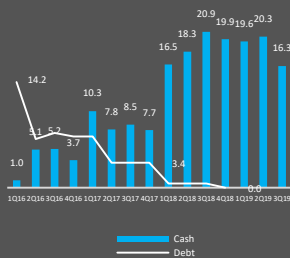
SUMMARY AND OUTLOOK

SOLID FINANCIALS

12mth rolling revenue (MUSD) and EBITDA margin



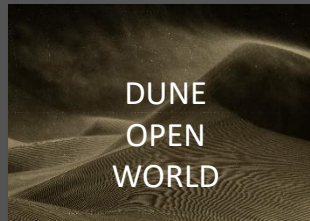
Cash and debt (MUSD)



BROADENING PORTFOLIO



GAMES FARM



STRONG IPs FOR GAMES



NEW LARGE OWNER



29% at 15.75 NOK

Industry expertise

Network

China access

Financially strong
growth investor

JOIN US ON OUR JOURNEY!

CONTACT DETAILS



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[HTTP://INVESTORS.FUNCOM.COM](http://investors.funcom.com)



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