

# FINANCIAL MARKET PRESENTATION



**FUNCOM**

18 DECEMBER 2017



IP AND INVESTMENT

## DISCLAIMER – FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking. You should not place undue reliance on these forward-looking statements for many reasons.

These forward-looking statements reflect current views with respect to future events and are by their nature subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity or performance will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this presentation, either to conform them to actual results or to changes in our expectations.

- Acquisition of 50% of the interactive rights for a portfolio of IP, the largest being Conan the Barbarian
  - Immediate benefits: 50% royalty cost reduction on Age of Conan and Conan Exiles
  - Long term benefits: 50% royalties for any games developed using those IPs
- Expanded co-development and publishing partnership plan, to deliver more game releases and activities per year
- NOK 88.4 million / USD 10.6 million investment from Swedbank Robur, Scandinavia's largest institutional gaming investor
- Reverse stock split of 5 to 1
- A definitive turnaround: A company with strong financial position, several projects in the pipeline and debt free by end of 2018
- The transactions are pending authorization from an Extraordinary General Meeting of Shareholders to be held on 30 January 2018

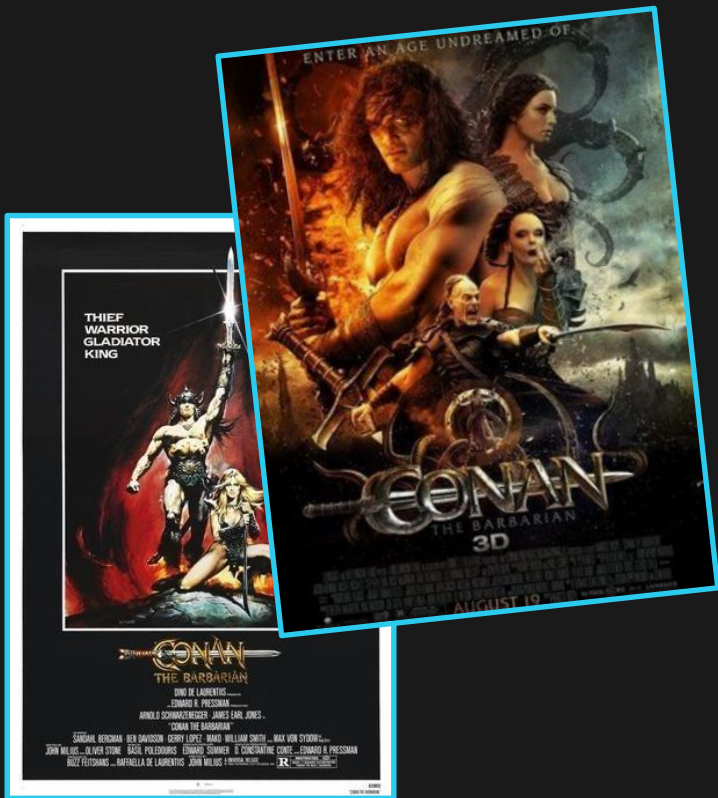


# INTELLECTUAL PROPERTIES



IP AND INVESTMENT

## CONAN THE CIMMERIAN



Undoubtedly, the most well-known IP is that of Conan the Cimmerian (or Conan the Barbarian as many know the character itself). Recognized as the mightiest character in all of heroic fantasy, Conan is a free barbarian from distant Cimmeria who ventures into splendid kingdoms of the south to find his fortune in the lost eons of the Hyborian Age between the sinking of Atlantis and the dawn of history.

**Conan the Cimmerian is part of works of Robert E. Howard, similarly to Kull, Solomon Kane, and other IP rights of Heroic Signatures.**

There have been numerous [novels](#), [comic books](#), [video games](#), [board games](#), [card games](#), and more based on Conan the Cimmerian.. **There have also been [three major motion pictures](#) (in 1982, 1984, and 2011) as well as several [television series](#).**

Funcom has previously developed the Age of Conan MMO based on this IP as well as the more recent Conan Exiles.



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## SOLOMON KANE



God's angry warrior, Solomon Kane, is Robert E. Howard's most unusual creation.

Black-clad and steely tempered, Kane combines the headlong action of Conan with the swashbuckling valor of the Three Musketeers as he bestrides demon-infested Africa and the war-torn Europe of Queen Elizabeth I to dispense relentless justice with the point of his sword.

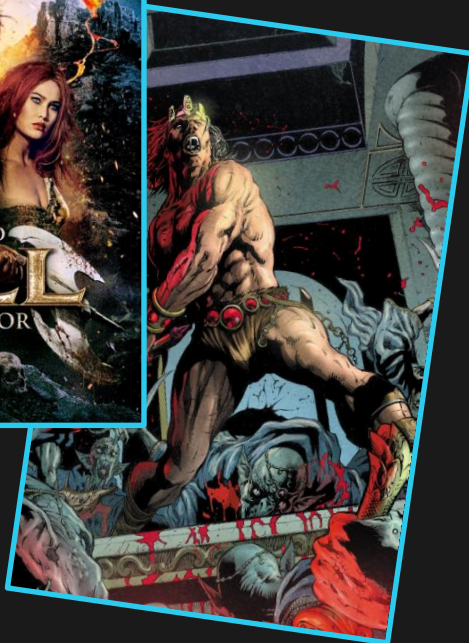
Solomon Kane originally appeared in *Weird Tales* during the 1930's, then repackaged in multiple editions worldwide. **There was also a 2009 motion picture titled Solomon Kane.** The character has appeared in marvel comics since the 1970's.

Dark Horse Comics has published three mini-series of Solomon Kane during the last 10 years. There was also a pen-and-paper RPG released in 2008 by Pinnacle.



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## KULL OF ATLANTIS



**Kull of Atlantis and Valusia – the barbarian who becomes a gladiator, the gladiator who seizes a magnificent kingdom from a mad tyrant and crowns himself king.**

In the dawn world of 100,000 years ago, Kull holds his throne against scheming conspirators, murderous rivals, and deadliest of all, the snake-headed Serpent Men who are mankind's secret masters.

Kull originally appeared in *Weird Tales* during the 1930's, then repackaged in multiple editions worldwide. **In 1997 there was a [motion picture](#) titled *Kull the Conqueror***. Kull has appeared in [hundreds of comics worldwide](#) since 1971 (Marvel Comics, Dark Horse Comics, IDW Publishing).



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## MUTANT CHRONICLES



**Mutant Chronicles takes place in a distant future where the Earth has long since been depleted of natural resources and abandoned.**

Humanity has spread to the worlds of Venus, Mars, Mercury, Luna (the first settlement following the exodus from Earth), and the Asteroid Belt. Since the exodus from Earth the traditional nation-states of the world have merged into five huge megacorporations:

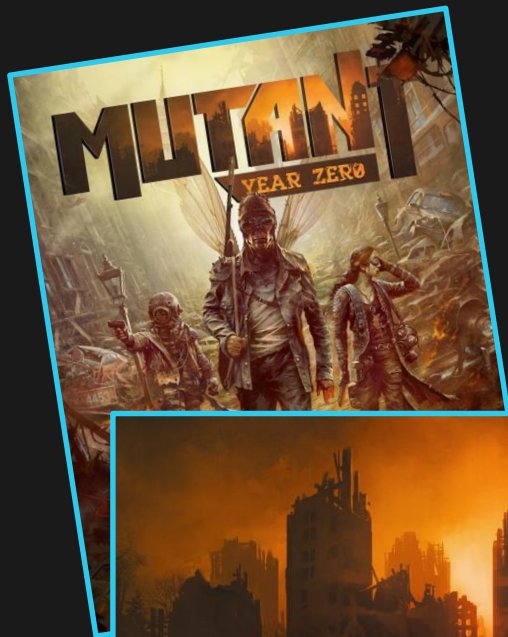
Bauhaus, styled after the culture of continental Europe, the American-influenced Capitol, the Japanese-themed Mishima, the British-inspired Imperial, and the ultra-secretive, ambiguous, high-tech wielding Cybertronic, all of whom use private military forces to fight for resources.

Mutant Chronicles has spawned the [Mutant Chronicles 2008 motion picture](#), numerous [pen-and-paper role-playing games](#), several [video games](#) all the way back to the Super Nintendo, multiple [books](#), [card games](#), [miniatures](#), and more.



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## MUTANT: YEAR ZERO



**Of course the world ends. It was always just a question of time.**

When it's all over, Earth is still. Nature invades the ruined cities. Winds sweep through empty streets, turned into graveyards. Yet life remains. In the Ark, a small settlement on the edge of a dead town, the People live.

You are the spawn of humanity, but not human anymore. You are twisted funhouse images, mutated freaks. Your bodies and minds have incredible powers, but you are unstable. Fragile. None of the People are over 30 years old.

Mutant: Year Zero is a post-apocalyptic IP that has spawned both [pen-and-paper role-playing games](#) and multiple [tabletop games](#). There has also been a Mutant: Year Zero [card game](#).



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## OTHER IPs IN THE PORTFOLIO



- Kult
  - Chronopia
  - El Borak
  - Dark Agnes
  - Bran Mark Morn
  - James Allison
  - Cormac Mac Art
  - Black Turlogh
  - Kirby O'Donnell
  - Cormac Fitzgeoffrey
  - Terence Vulmea
  - Wolfshead
  - Steve Harrison
- Almuric
  - Steve Costigan
  - The Black Stone
  - The Children of the Night
  - The Fire of Asshurbanipal
  - The Cairn of the Headland
  - The Horror From the Mound
  - Old Garfield's Heart
  - The Dead Remember
  - Black Canaan
  - Pigeons From Hell



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## INTELLECTUAL PROPERTY PORTFOLIO

- Cabinet Group LLC is a Los Angeles based entertainment group that owns a strong portfolio of IPs
  - The group is headed by Fredrik Malmberg, member of the Supervisory Board of Funcom NV
- Cabinet and Funcom will, as part of the transaction, be partners in Heroic Signatures DA
  - Heroic Signatures DA will be a Norwegian “Delt Ansvar” company
- Funcom purchases 50% of the partnership rights for 22.3 million shares at NOK 2.6 per share
- IP portfolio fits Funcom and its market segment well – mature and immersive worlds and characters, perfect for gamers





## STRATEGIC FIT OF ACQUIRING IP THROUGH HEROIC SIGNATURES

### Cash flow benefit

- Immediate cash flow from CE and Age of Conan. Other games in development
- No cash payment for the IP rights

### Increased robustness

- Potentially a high number of revenue streams, diversifying risk
- No game development cost, low downside for IP owner

### Publishing support

- Competitive strength to grow publishing business
- Publishing is key part of other listed Nordic and International gaming companies

### Security of key IP

- Ability to protect interest of Conan Exiles, Age of Conan and future games
- Predictability for development of more games with similar IP

### Asset value

- Relevance, reach and value of IP growing with global digital distribution
- Significant upside for the successful IPs



# CO-DEVELOPMENT AND PUBLISHING PARTNERSHIPS



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## MORE GAMES!

- Expanding the development and publishing activities will allow for:
  - More frequent game releases
  - More frequent DLC, Expansion or other meaningful addon releases
  - Growing fanbase for the different IPs and games
  - Establish a solid community of Funcom gamers
  - Reduce overall company risk by having more simultaneous investments





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## QUALITY OVER QUANTITY

- The focus will be on quality over quantity:
  - Funcom will find partners that fit the IPs, the mature gamer audience and the quality we strive for
  - The first game is the previously mentioned partnership with Bearded Dragons on a tactical turn based strategy game, to be released in 2018
  - Funcom will be looking for new partners for future games to be released from 2019 onwards
    - Size, scope and budget for each game will vary, but the Company expects these investments to be smaller than the investments in internally developed titles



The background image is a dark, moody scene. In the foreground, two figures are seen from behind, walking away from the viewer. The figure on the left is wearing a dark jacket and pants, holding a long, thin object (possibly a cane or a stick) in their right hand. The figure on the right is wearing a dark jacket and pants, and a dark hood or hat. In the background, there are several statues or carvings of figures, possibly deities or historical figures, set within niches. The lighting is dim, with some highlights on the statues and the figures' clothing. The overall tone is mysterious and somber.

# SWEDBANK ROBUR INVESTMENT



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## PRIVATE PLACEMENT TO SWEDBANK ROBUR

- Swedbank Robur Fonder AB to invest NOK 88.4 million / USD 10.6 million
  - Purchase of 34 million shares at NOK 2.6 per share
  - 18% premium over market price
- “Ny Teknik” and “Microcap” funds
  - Long investment horizons
  - Other gaming investments include Paradox, THQ Nordic and Stillfront
- Swedbank Robur is the largest gaming investor in the Nordics
- Proceeds mainly for investing in expanded co-development and publishing strategy
- Private placement rationale: premium, execution speed, renowned long term investor
- Closing expected 1 February



# REVERSE STOCK SPLIT



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## REVERSE STOCK SPLIT

- Shares merged on a 5:1 ratio
- «Par value» of the shares will increase from the current EUR 0.04 to EUR 0.2
- No effect on total market value or respective ownership
- Requires approval from an Extraordinay General Meeting, 30 January 2018
- Details announced after EGM



A STRONGER FUNCOM



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# THE PATH TO STABLE BASELINE REVENUES AND GROWTH

## 2005-15

- ~3-7 yr development time per game
- 1 game in development at a time
- PC MMO focus

## 2016-17

- ~1-2 yr development time per game
- 2 games in development at a time
- Online RPG
- PC and Console

## 2018-22

- More internal titles
- More publishing partnerships
- More frequent releases
- Multi channel strategy
- IP licensing



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## A STRONGER FUNCOM

- New IP rights
  - Immediate cash flow effect
  - Very limited cost exposure
- Co-development and publishing
  - More product launches
  - Careful internal growth, keeping costs in check
- NOK 88m funding and strong new investors
  - Strong financial position, debt free in 2018
  - Renowned investors, gaming and IP experts
- Reverse split

**A financially stronger and more robust company**



QUESTIONS?



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