

# 4Q 2017 PRESENTATION



**FUNCOM**

27 FEBRUARY 2018



4Q 2017 PRESENTATION

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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.

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## HIGHLIGHTS

- 2017 is the most profitable year in the Company's history, with a profit before tax of USD 6,647 thousand. Positive EBITDA in 4Q17 despite the quarter being dominated by preparations for 2018 launches and transaction costs related to the private placement and Heroic Signatures
- Conan Exiles is on track for full launch on 8 May 2018, in 12 languages, digital and retail stores, worldwide with several partners
- The Bearded Dragons partnership game will be revealed tomorrow, 28 February 2018, and is on track to be released during this year
- Financial position strengthened further in 1Q18 with NOK 88.4 million private placement cash inflow from Robur on top of the 4Q17 cash balance of USD 8,079 thousand
- Since 1 February 2018 Funcom has owned 50% of the gaming rights for Conan the Barbarian and many other Intellectual Properties through Heroic Signatures and received IP royalties through the company. The transaction increases the equity of Funcom by approximately USD 7 million in 1Q18
- A new major internal project has been greenlit and starts pre-production in March 2018



# 4Q 2017 FINANCIALS



4Q17 PRESENTATION

## MOST PROFITABLE YEAR IN FUNCOM HISTORY

TUSD	4Q 17	4Q 16	YTD 17	YTD 16
Revenue	3 142	1 827	23 162	7 322
EBITDA	440	282	9 878	231
EBIT	-512	-155	6 581	-1 580
Profit	-725	-873	6 647	-2 761
Cash	8 079	3 709	8 079	3 709
Equity	13 713	3 773	13 713	3 773
Debt <sup>1</sup>	3 399	6 899	3 399	6 899

### COMMENTS

- Revenues significantly up from 16, both full year and 4Q17
- 2017 EBITDA USD 9.9m, USD 0.4m in 4Q17, 4Q dominated by preparations for 2018 launches and transaction cost
- Bearded Dragons capitalized in line with other games
- USD 1.7m tax calculated for 2017, not payable due to changes in deferred tax. The tax reduces equity, that is still USD 13.7m, 3.6 times the 2016 equity
- Strong financial position even before the NOK 88.4m Robur 1Q18 cash

YTD - year to date

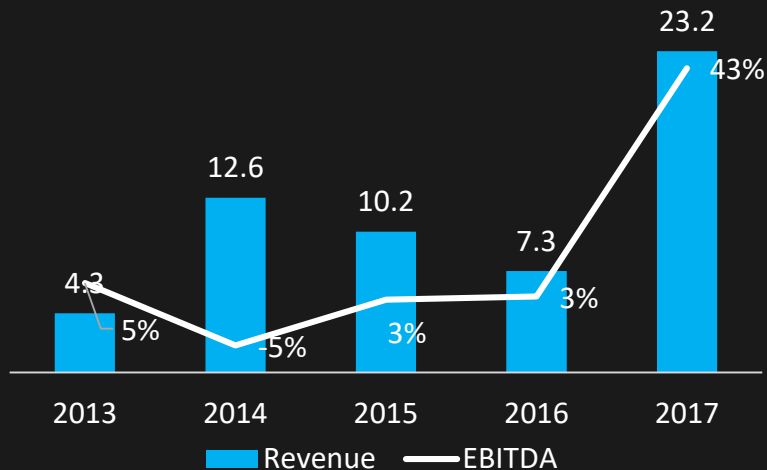
1) Face value of interest bearing debt



4Q FY17 UPDATE

## REVENUE AND EBITDA MARGIN DEVELOPMENT

Revenue (MUSD) and EBITDA margin



## COMMENTS

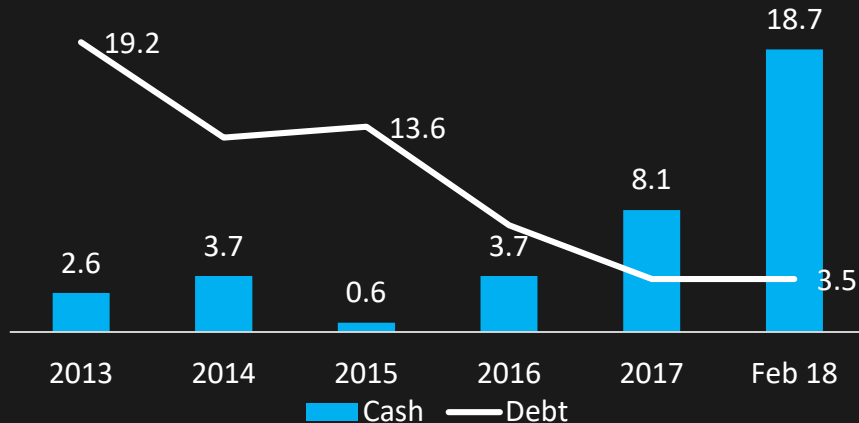
- Strong 2017, 43% EBITDA margin
- Increased profitability 2014-16 due to intense cost cutting despite falling revenue
- High profitability in 2017 with strong revenue growth from low cost level and continued cost conscious attitude



4 Q FY17 UPDATE

## FINANCIAL POSITION SIGNIFICANTLY STRENGTHENED

Cash and debt (MUSD)



### COMMENTS

- Financial position significantly strengthened over the last five years
- Debt has gone down from USD 19.2m to USD 3.5m
- Cash has gone up from USD 2.6m to USD 18.7m<sup>1</sup>

1) In early February 2018 just after Robur private placement



# PRIVATE PLACEMENT





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## PRIVATE PLACEMENT TO SWEDBANK ROBUR

- Swedbank Robur invested NOK 88.4 million
  - 6,800,000 shares post reverse split at NOK 13 per share
  - 18% premium over market price 15 December
  - Cash received 1 February 2018, not included in 4Q17 financials
- Swedbank Robur is the largest gaming investor in the Nordics
  - “Ny Teknik” and “Microcap” funds
  - Long investment horizon
  - Current shareholding: 9.8%
- Current 6.9% Avanza ownership indicates increased interest from Swedish investors
- Proceeds mainly for investing in expanded co-development and publishing strategy



# HEROIC SIGNATURES





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## HEROIC SIGNATURES



Funcom owns 50% of Heroic Signatures which has the rights to monetize these IPs for interactive games. Transaction closed 8 February 2018



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## AMAZON TO LAUNCH CONAN TV SERIES

# Conan the Barbarian TV Series In Works At Amazon From Ryan Condal, Miguel Sapochnik & Warren Littlefield

### Conan the Barbarian TV Series in Development at Amazon



Amazon is in the process of developing Conan the Barbarian into a television series. While the name is no doubt familiar to comics fans, the series will be an adaptation of the Conan the Barbarian source stories by Robert E. Howard.

The TV series is being helmed by Ryan Condal (Colony), Miguel Sapochnik (Game of Thrones) and Warren Littlefield ( Fargo, The Handmaid's Tale). According to Deadline, the show will follow the eponymous hero as he travels in search of purpose in a world that considers him a savage.

**RELATED:** Marvel Comics Regains Conan License

Most fans likely know Conan from his Marvel Comics run back in the '70s. Edited by Stan Lee and Roy Thomas, the Conan the Barbarian comics started in October 1970 and ran for 275 issues, until 1993. Dark Horse Comics secured the Conan publishing rights in 2003 up until very recently when Marvel reacquired them.



WME/Rex/Shutterstock

**EXCLUSIVE:** Amazon is developing drama series *Conan*, based on the Robert E. Howard, Deadline has learned. The project hails from Colony co-creator Ryan Condal, Game of Thrones director Miguel Sapochnik, Fargo and The Handmaid's Tale executive producer Warren Littlefield, Pathfinder Media and avor Content.

## The Guardian

### Amazon announces Conan the Barbarian TV adaptation

The streaming site is adapting Robert E Howard's pulpy hero, as it tries to find an answer to Game of Thrones



Amazon is continuing its quest to find a hit fantasy show in the mould of Game of Thrones, having announced plans to adapt Robert E Howard's Conan the Barbarian.

As made famous by the Arnold Schwarzenegger-led Conan the Barbarian movie, the series is in development, and follows news that the streaming site is adapting Game of Thrones director Miguel Sapochnik's Conan the Barbarian project, as is Handmaid's Tale and Fargo executive producer Warren Littlefield.

**Amazon TV series could increase value of Conan IP, Heroic Signatures aims to monetize the effect with related interactive games**



## STRONG STRATEGIC RATIONALE FOR IP ACQUISITION

### 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
- Right to develop two Conan games and one other IP game to specified terms

### Asset value

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



# SECRET WORLD LEGENDS





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## SECRET WORLD LEGENDS UPDATE



- Several seasonal and weekend events were run by the team during the last three months to keep the activity levels and drive engagement
- Client size has been reduced and other actions have been taken to reduce acquisition cost of new players
- The team is focusing on creating the new content and features for the Agent System and new story content that will be released during Q1:
  - Agent System
    - Long-term retention system, keeping players engaged
    - Monetization platform (Agent Packs)
    - Narrative expansion targeted at user base
  - New Story Content
    - Expanding the story will bring back old players and also bring it onto the radar of new players
    - First new content since launch of Secret World Legends
    - User acquisition push around new content
    - Exercise our refined monetization systems with new players
  - New Story Content Cache & Agent Pack
    - Increased Revenue from cache and pack sales.



# CONAN EXILES







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## CONAN EXILES - THE ROAD TO FULL LAUNCH

- Certification process underway with both Xbox One and PS4 and on target to complete during Q1
- Full launch has been set to 8 May 2018 to enable us to deliver a higher quality and more polished game
- The map has been expanded to 200% of original size with the addition of new areas and dungeons
- Full revision and tweaking of existing content as part of the content rebalance pass to improve the exploration & survival aspects of the game as well as overall fun factor
- Significant investment into development of new features like combat 2.0, the purge, the journey system
- Launch pricing will be \$39.99 for PC, \$49.99 for Consoles, and \$79.99 for the Collector's Edition





## CONAN EXILES - THE ROAD TO FULL LAUNCH

- [illegible]





OTHER





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## FUTURE INTERNAL GAMES

- In Funcom Oslo:
  - New game concept using the “Conan the Barbarian” IP
  - Pre-production pushed to after Conan Exiles full launch
- In Funcom North Carolina:
  - New major project has been greenlit and is entering pre-production phase in March 2018
  - Full production scheduled to start in late Q2 or Q3 2018 depending on staffing speed
  - The game will be a Cooperative online shooter game with a Premium business model using an IP from Heroic Signatures
  - The company does not expect to reveal any information about the new project in 2018
    - For the sake of avoiding any potential confusion, this is not the game that Funcom will reveal tomorrow
- As part of the Heroic Signatures transaction, the Company secured the rights to three new games, two using the Conan IP and one using one of the other IPs. The two games mentioned above are thus covered by these rights, with the rights for a third game to be utilized in future years.



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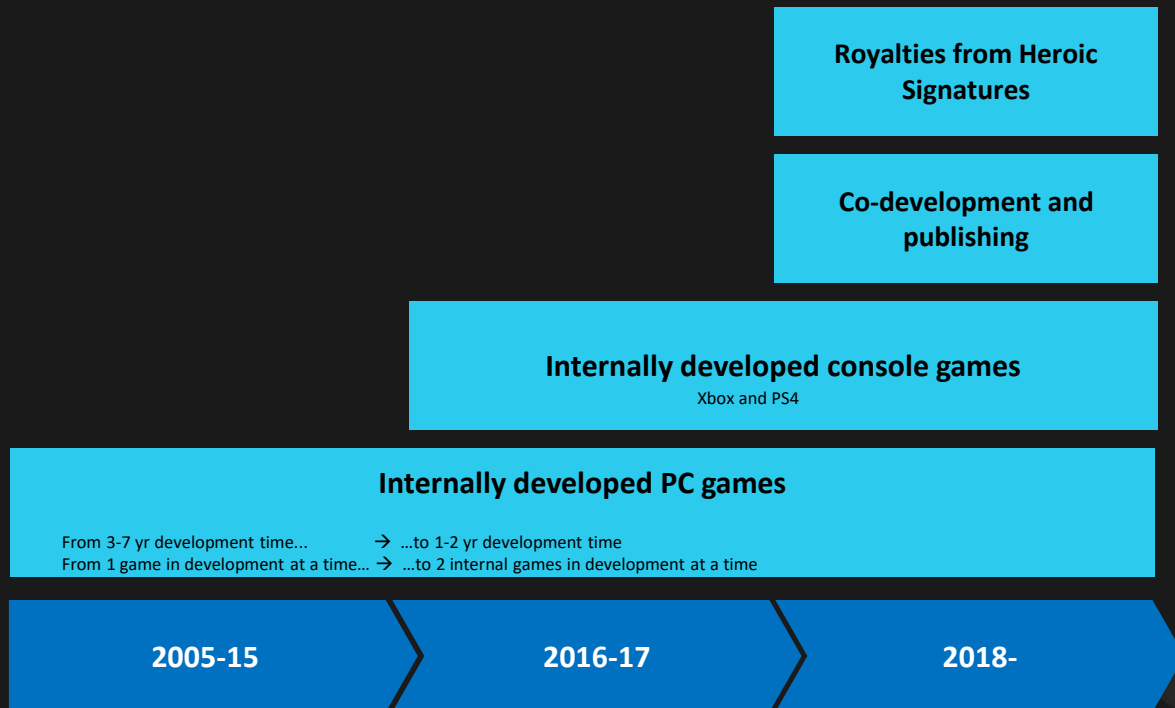
## BEARDED DRAGONS COOPERATION



- Development of the tactical turn-based strategy game has progressed according to project timelines and is scheduled to release in 2018
- Publishing activities are ongoing with Quality Assurance, PR/Marketing, and Project Management resources being integrated with development team
- Initial information about the game to be revealed tomorrow, 28 February, with more extensive details to be revealed at a later date as part of the PR & Marketing plan



# THE PATH TO STABLE BASELINE REVENUES AND GROWTH





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## SUMMARY

- Funcom's most profitable year with USD 6.8 m profit, turnaround on track
- Compelling launches in 2018
  - Conan Exiles (8 May)
  - Bearded Dragons game (revealed tomorrow, 28 February)
- Heroic Signatures established, royalty revenues from 1 February 2018
- Co-development and publishing strategy to diversify revenues
- Strong financial position with MNOK 88.4 cash inflow received in 1Q18
- New major internal game entering into Pre-Production in March 2018

QUESTIONS?



**FUNCOM**