

# 3Q 2017 PRESENTATION



**FUNCOM**

14 NOVEMBER 2017



3 Q 2017 PRESENTATION

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## HIGHLIGHTS

- Third consecutive profitable quarter, the most profitable YTD 3Q in Funcom history
- USD 1.8m EBITDA, 30% EBITDA margin in 3Q17
  - Despite costs related to Secret World Legends and Conan Exiles launches and Bearded Dragons partnership
- Secret World Legends was launched on Steam at the end of July and has had a very strong launch.
  - The team is focused on improving the game and its monetization Key Performance Indicators (KPIs).
- Conan Exiles was released on Xbox One Game Preview together with The Frozen North update on 16 August 2017
  - The team is focused on improving the game's quality ahead of the full launch on PlayStation 4, Xbox One and PC in 2Q 2018



# 3Q 2017 FINANCIALS





TUSD	3Q 17	3Q 16	YTD 17	YTD 16
Revenue	6 027	1 728	20 020	5 494
EBITDA	1 813	97	9 438	-52
EBIT	964	-376	7 093	-1 425
Profit	1 049	-104	7 372	-1 888
Cash	8 481	5 208	8 481	5 208
Equity	16 189	3 279	16 189	3 279
Debt <sup>1</sup>	3 355	7 079	3 355	7 079

## COMMENTS

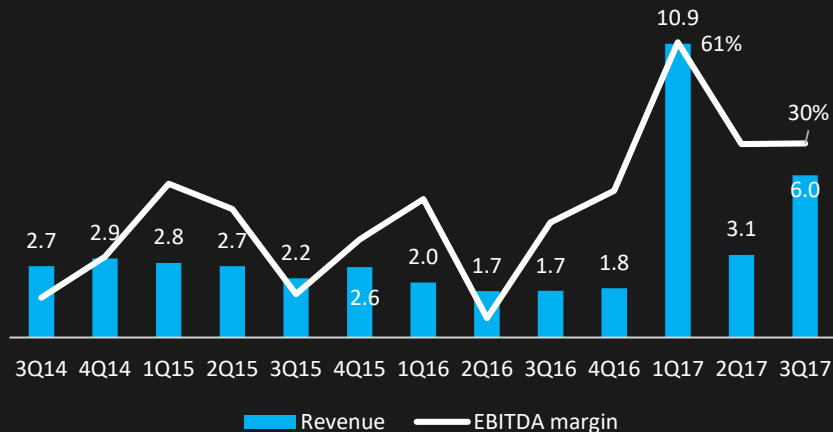
- 3Q17 revenues of USD 6m is 3.5 times larger than 3Q16
- EBITDA USD 1.8m, 30% margin
- USD 1m profit, third consecutive profitable quarter
- Strong financial position, increased cash and equity

1) Face value of interest bearing debt



## REVENUE AND EBITDA MARGIN DEVELOPMENT

Revenue (MUSD) and EBITDA margin

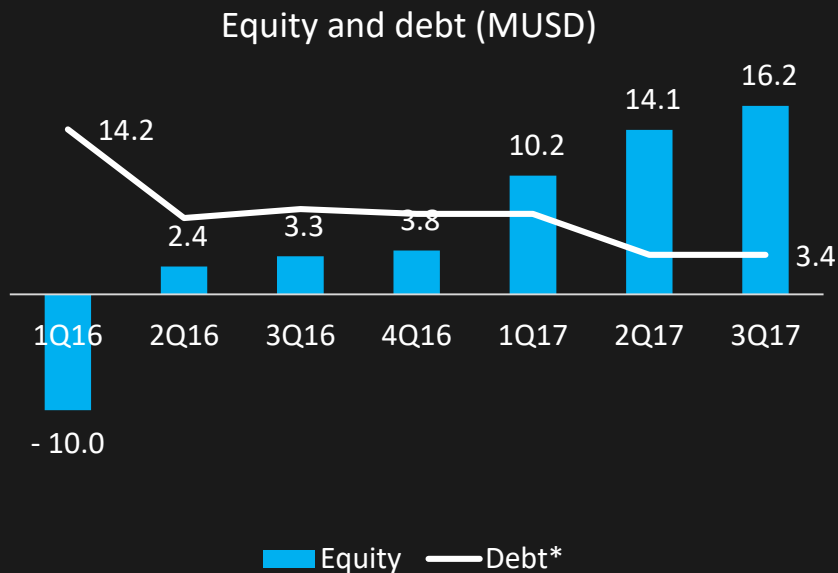


## COMMENTS

- 2017 represents a significant improvement from previous years, with the new strategy of more titles with shorter development time proving successful
- Conan Exiles and Secret World Legends main contributors in 3Q
- 30% EBITDA margin in 3Q17 despite:
  - Launch related costs such as advertising and porting
  - Xbox launch impacted by technical problems
  - Bearded Dragons partnership cost



## EQUITY AND DEBT DEVELOPMENT



## COMMENTS

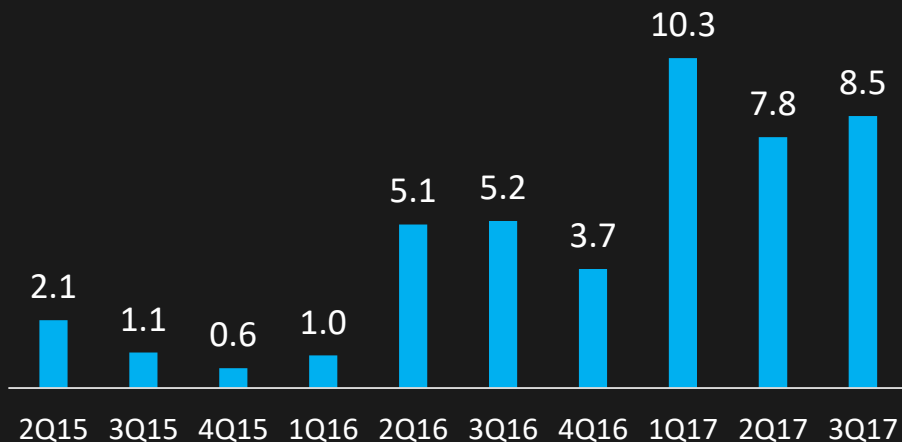
- Financial position further strengthened this quarter
- Equity progressively increased from USD -10.0m in 1Q16 to USD 16.2m due to profits and reduced debt
- Debt reduced from USD 14.2m in 1Q16 to USD 3.4m

\*) Face value of interest bearing debt



## CASH BALANCE DEVELOPMENT

Cash (MUSD)



## COMMENTS

- Positive cash flow in 3Q17 despite no Xbox cash received in the quarter
- Reduction from 1Q17 to 2Q17 driven by 1Q17 royalties paid in 2Q17
- 2017 cash increase driven by profits, 2016 increase driven by equity infusion





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## FINANCIAL SUMMARY

- Third consecutive profitable quarter, the most profitable YTD 3Q in Funcom history
- USD 1.8m EBITDA, 30% EBITDA margin in 3Q17, despite costs related to Secret World Legends and Conan Exiles launches and Bearded Dragons partnership
- Positive cash flow despite no cash received from Xbox sales in 3Q
- The equity has increased for six consecutive quarters



# SECRET WORLD LEGENDS



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## SECRET WORLD LEGENDS RELEASE UPDATE



- Successfully launched Secret World Legends on Steam on 31 July
- Executed a plan to release content in a series of updates during 3Q
  - Launched a revamped Whispering Tide event to celebrate the launch of Steam and the upcoming Tokyo release
  - Released Tokyo: Back to the Beginning in August
  - Tokyo: Beyond the Wall in September
  - Manhattan Exclusion Zone Raid with scaling difficulty and with group finder support
- Launched the “Future-Tech Cache”
- Ran the ARG “Kiss of the Revenant” in cooperation with Alice & Smith
- Released several updates addressing player concerns, game stability, and quality of life fixes



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## SWL - FUTURE UPDATES HIGHLIGHTS

- In 4Q there will be a focus on addressing KPIs with actions such as:
  - Implementing a “Refer-a-friend” system
  - Reducing the initial download size of the game
  - Running a Winter Event with an associated Winter Cache
- For 1Q 2018, the focus will be on major gameplay and story content release to improve retention and provide a more complete experience for the players





# CONAN EXILES





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## CONAN EXILES - DEVELOPMENT UPDATE



- After the release of the Frozen North and the launch on Xbox One, many small updates were done to the game on both platforms:
  - Many stability fixes and performance improvements for both client and server
  - Several small upgrades to existing features such as «Equippable thralls», new building pieces and a revised sprint system
  - New AI for humanoids and non-humanoid enemies
- The main issues reported by players as seen in their user reviews of the game on both Steam and Xbox are related to stability and game bugs:
  - This isn't a specific issue but a collection of small bugs, glitches, crashes or other issues
  - The team is focused on ironing out these issues over implementing new features, to increase the quality level of the game in preparation for full launch
  - Once polish has been improved, the team will be looking at the implementation of new features



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## CONAN EXILES - THE ROAD TO FULL LAUNCH

- Full launch has been moved to early 2Q 2018 to enable us to deliver a higher quality and more polished game
- The map will be expanded further with new areas and content prior to launch
- The game will be released simultaneously on Xbox One, PC and PS4 in Full Launch
- Significant marketing and PR activities will be undertaken for full launch, both in retail and online, to maximize the revenue impact of the release
- The game will be available both digitally and in physical stores, in several editions, and the launch price will be higher than the current Early Access price.
  - Exact pricing and detailed information on the various editions will be released before the end of 2017





OTHER







- Two new projects are in early concept stages :
  - In Funcom Oslo:
    - New game concept using the “Conan the Barbarian” IP
    - Pre-production pushed to 2018 due to focus on Conan Exiles
  - In Funcom North Carolina:
    - New project is in early concepting and prototyping stage with full production to be dependent on the performance of Secret World Legends and on the recruitment of additional staff for the project



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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
- More information about the game will be revealed closer to launch



# 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 titles
- More partnerships
- More frequent releases
- Multi channel strategy
- IP development

QUESTIONS?



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