

# G5 Entertainment

## Handelsbanken Capital Markets Tech Days 2022

September 22, 2022

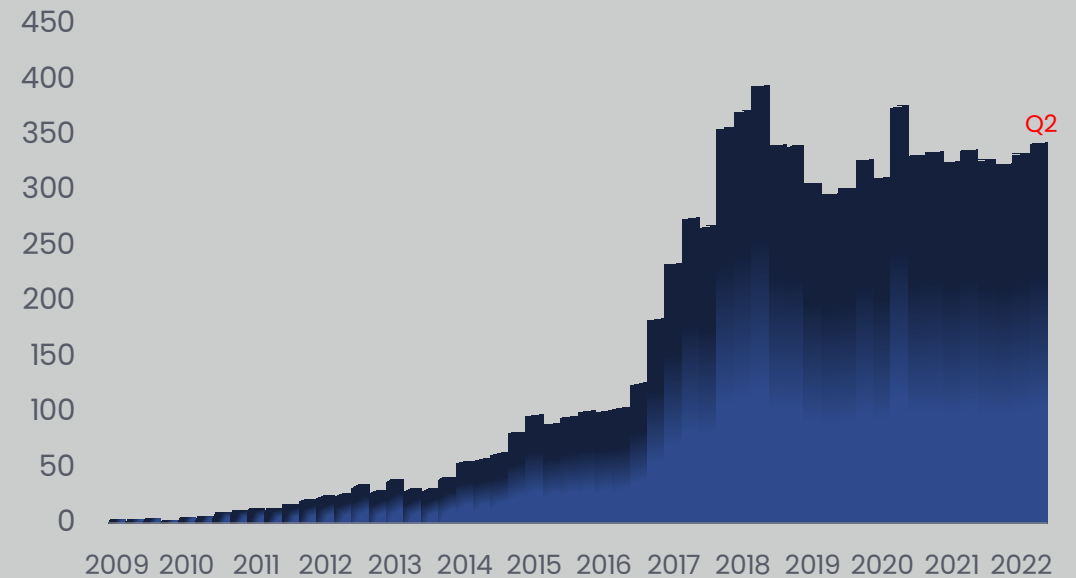
Presented by: Vlad Suglobov, CEO



# G5 Entertainment in brief

- Developer and publisher of casual free-to-play (F2P) games for tablets, smartphones and personal computers
- Global company operating in the global market of mobile games a **\$90+** billion market
- **10 offices worldwide** each serving a strategic purpose and providing a competitive advantage
- Strong history in creating and publishing games:
  - *The Secret Society* ➤ USD 142 million in sales  
➤ 27 million downloads
  - *Hidden City* ➤ USD 416 million in sales  
➤ 52 million downloads
- Focused on games for a **female audience age 35+**
- Founded 20 years ago and listed on Nasdaq Stockholm since June 2014 and public since October 2006

Revenue (MSEK)



Gross Margin (%)





# Mobile Gaming Industry



# Global Gaming: Historical Growth 1970-2020

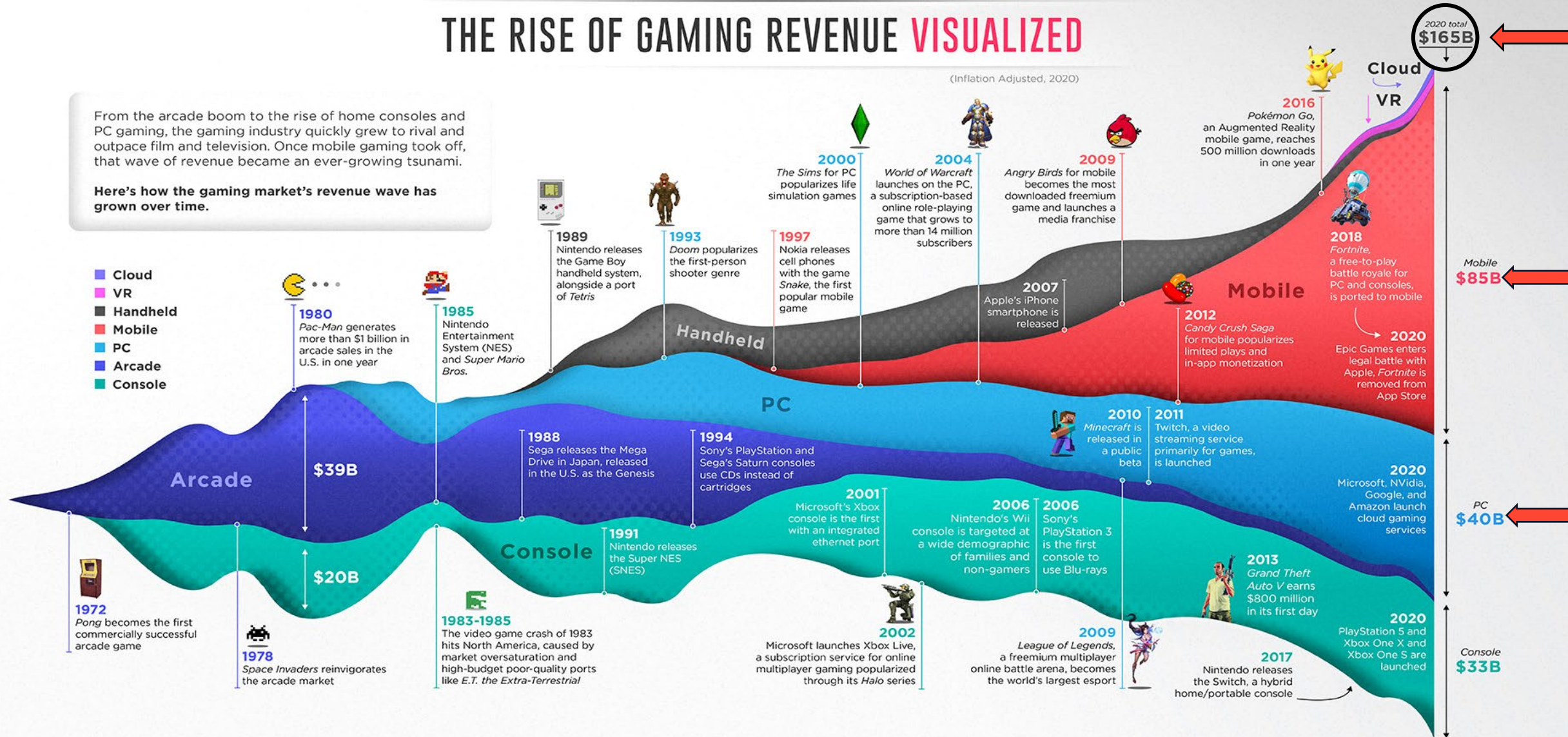


## THE RISE OF GAMING REVENUE VISUALIZED

(Inflation Adjusted, 2020)

From the arcade boom to the rise of home consoles and PC gaming, the gaming industry quickly grew to rival and outpace film and television. Once mobile gaming took off, that wave of revenue became an ever-growing tsunami.

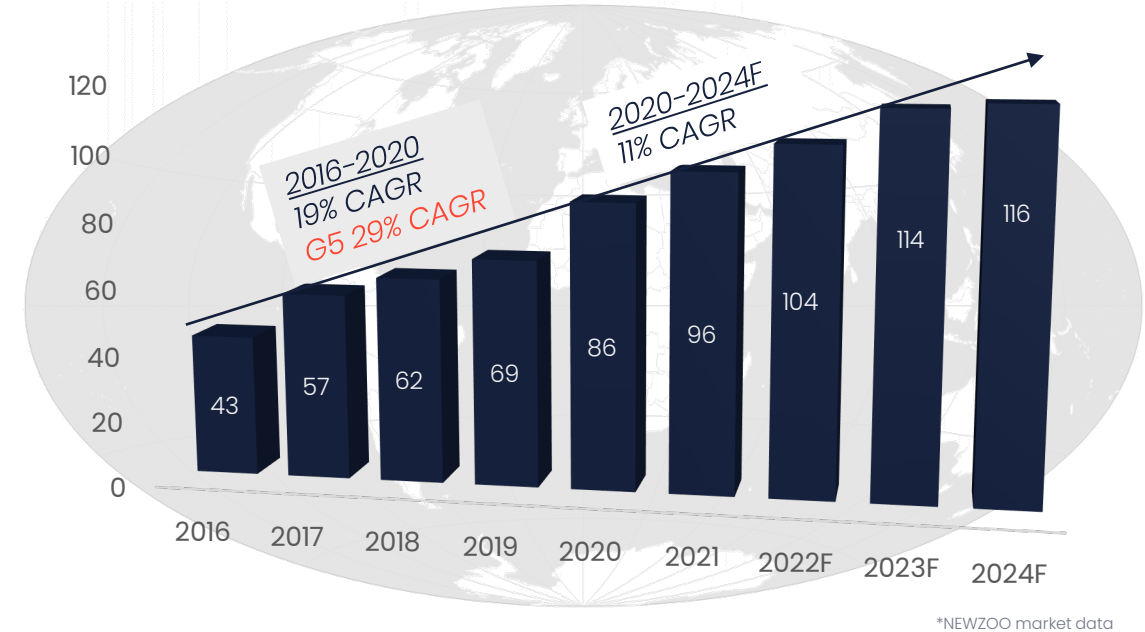
Here's how the gaming market's revenue wave has grown over time.



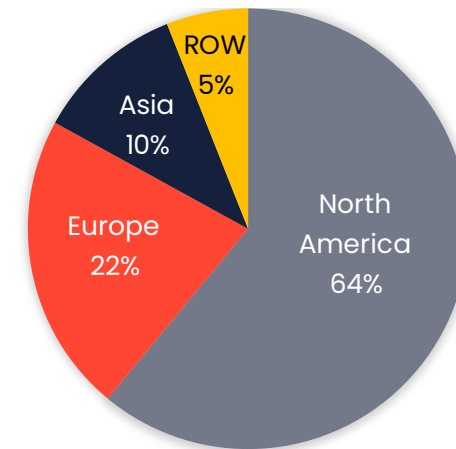
# Global Mobile Gaming: A Growth Market

- Mobile gaming is a fast-growing segment of the overall gaming market, with global revenues expected to reach **\$116.4 Bn USD** by 2024, a **CAGR of 11%**
- **53% of 2022 global game revenue** will come from mobile gaming
- With almost **3.2 billion gamers worldwide today**, and 3.5 billion gamers projected by 2025, mobile gaming has more players than any other gaming segment
- Asia is the biggest market, accounting for almost **64%** of total revenues for the industry in 2021, followed by the US
- Mobile gamers are spending more money than ever before, with Japanese gamers spending the most per player
- G5's main market is North America, followed by EU and Japan

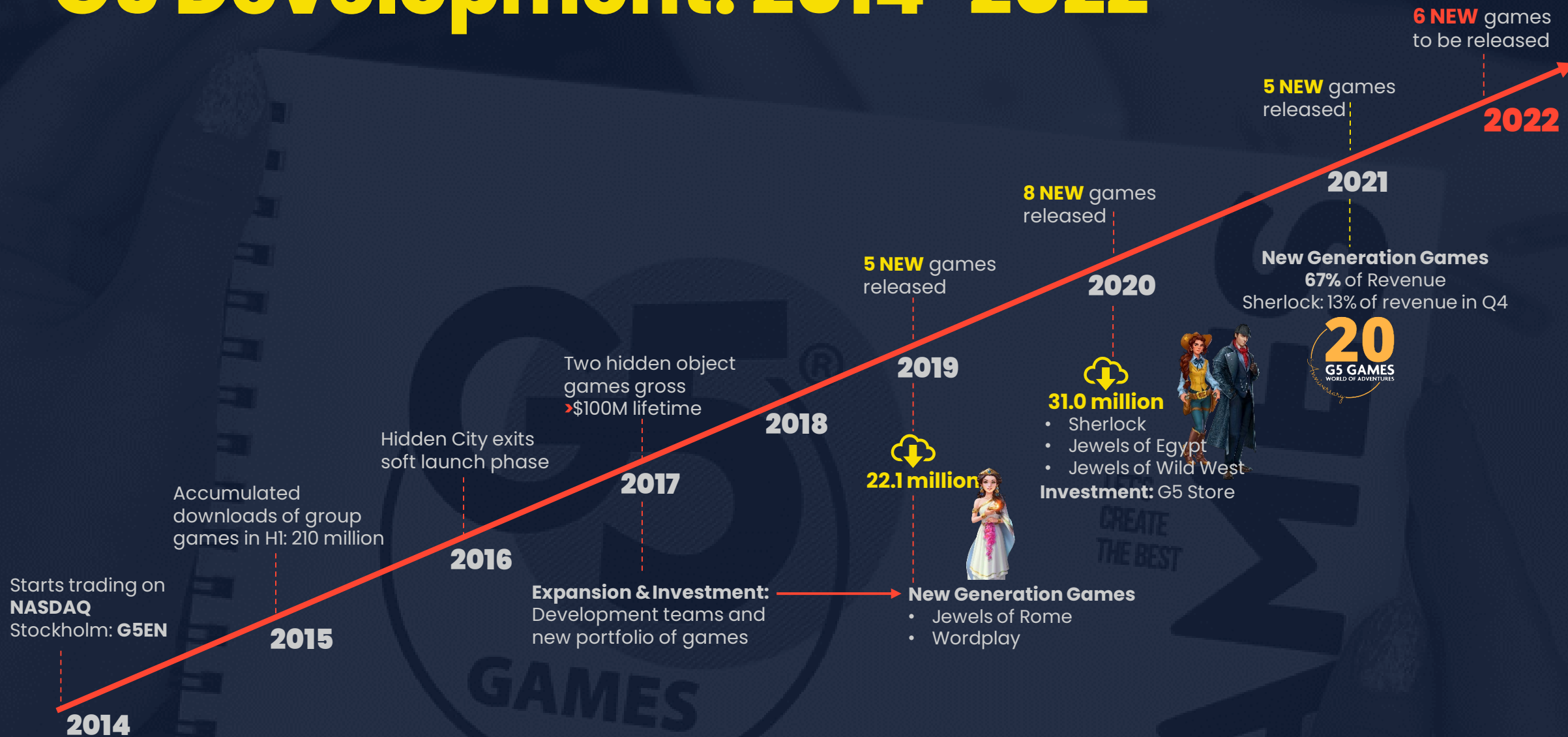
2016 – 2024 Global Mobile Games Market Revenues Bn USD



G5 Revenue breakdown by geography Q2 2022



# G5 Development: 2014-2022







# G5's Portfolio & Lifecycle

# Target Audience and Game Genre

## A Unique Market: Women Age 35+

Growing demographic

Underserved market

Very loyal audience

Strong paying  
audience \$

## Hidden Object



## Match-3



## Mahjong / Solitaire



## New Genres

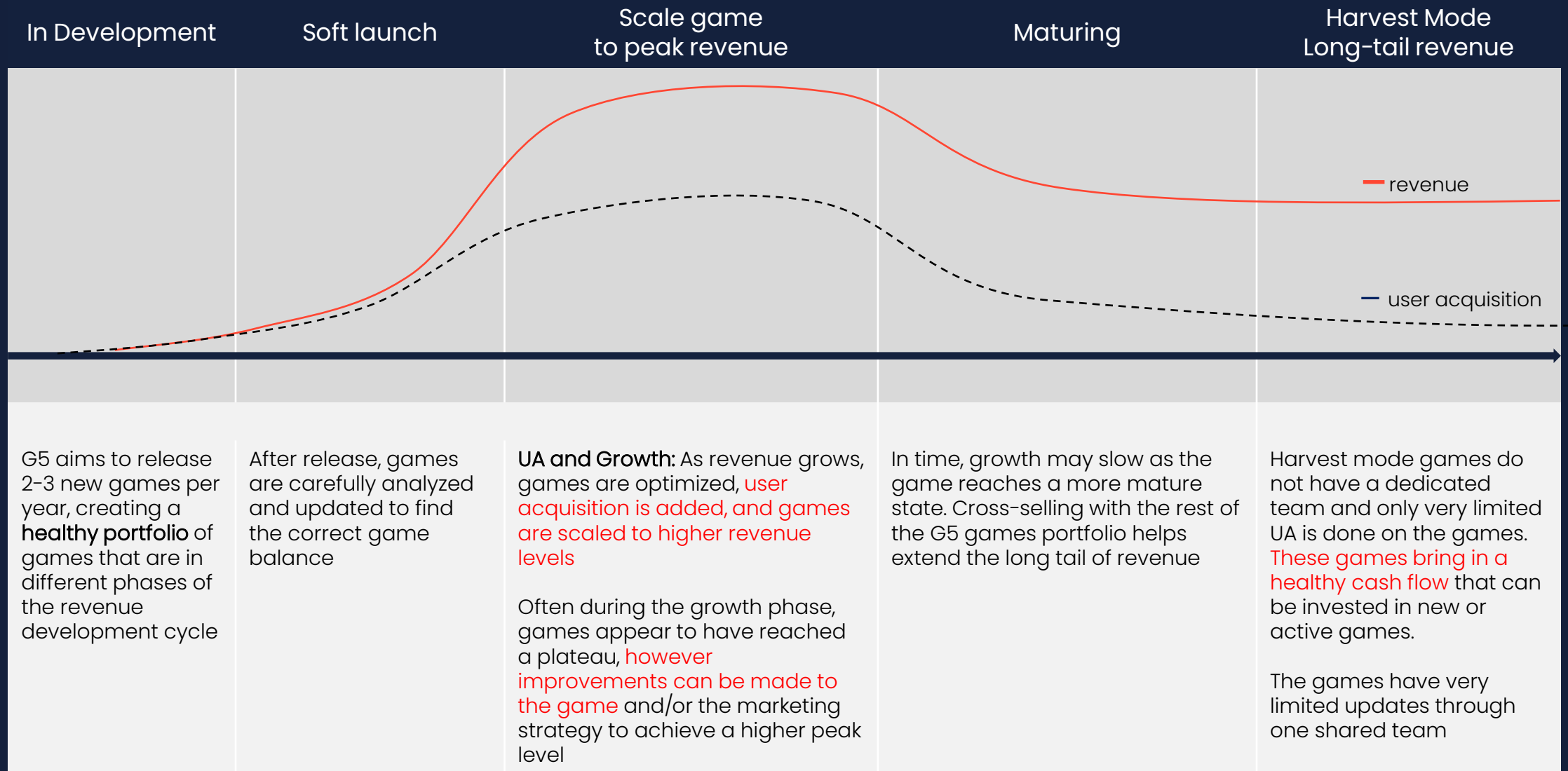


## G5 Friends Network



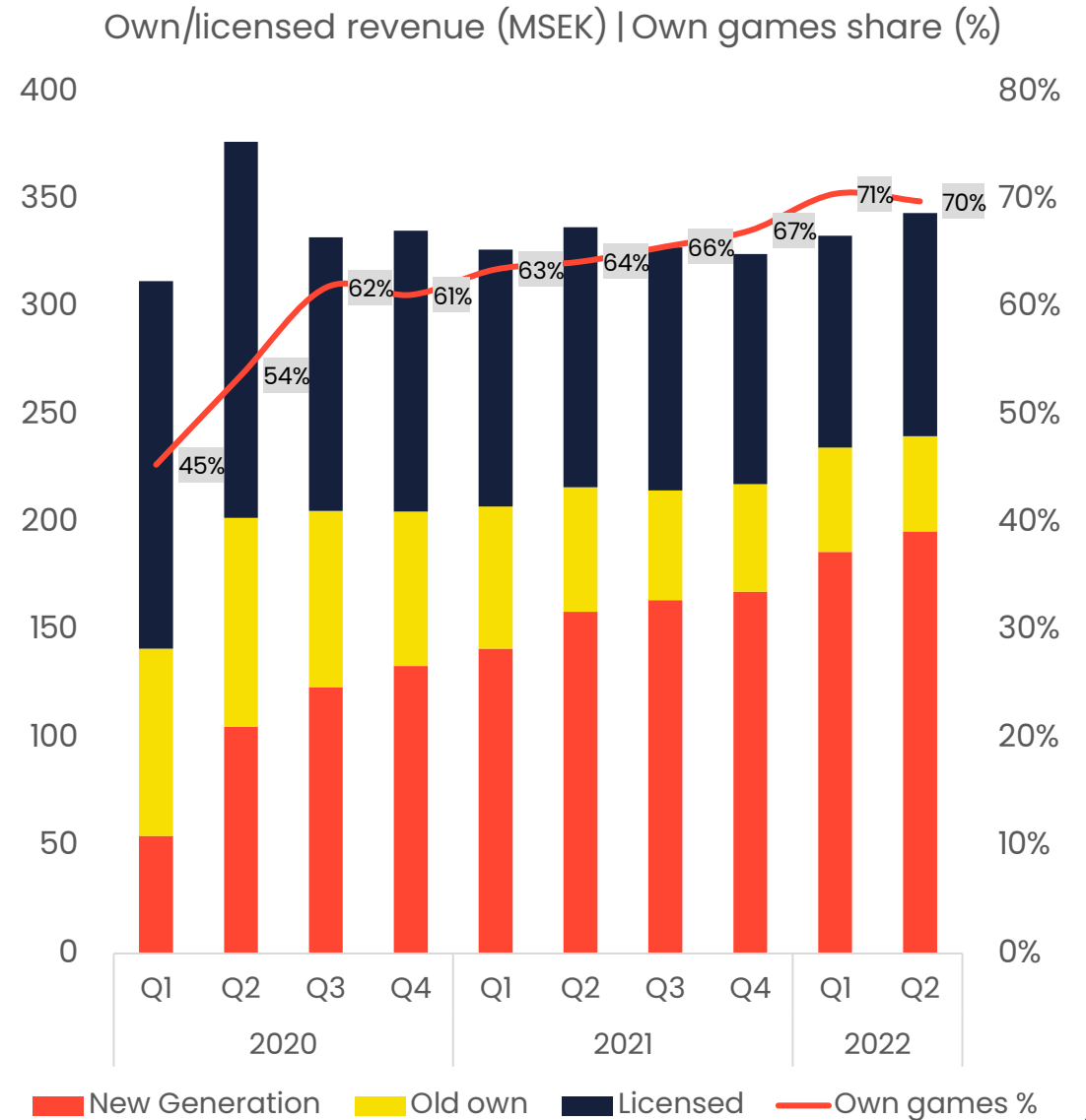


# F2P Games & Revenue Development



# Our Portfolio Approach

- **Strengthened the development** teams giving the company full control over game development and quality combined with tougher approach to underperforming games
- Revenue from own games have consistently grown and is now **>70%** of the total revenue
- Eight games released in 2020, five games in 2021 and **six new to be released in 2022**. Building on previous technology and game play foundation with an emphasis on engaging storylines and immersive meta-mechanics
- **Balanced and diversified portfolio** with games in different stages in their lifecycle creates a balance between profitability and growth



# New Generation Games



- Games released from 2019 onwards
- 20 new titles & 6 new titles to be released in 2022
- Game play foundation with an emphasis on engaging storylines and immersive meta-mechanics:
  - Hidden Object
  - Match-3
  - Mahjong/Solitaire
  - New Genres
- Q2 2022: Accounted for 57% of revenue
- Highlighted game: *Sherlock*
  - SEK 70 M & 19.5% of revenue
  - +152% Y/Y & +10% Q/Q (in USD)
  - 6.6 million acc downloads
- UA efficiency and M.A.R.S UA suite tools accelerated growth of earnings
- Building a foundation for long-term future growth

Revenue (MSEK)



A few of our titles:

*Jewels of Rome*  
*Jewels of the Wild West*  
*Crime Mysteries*  
*Pyramid of Mahjong*  
*Sheriff of Mahjong*  
*Jewels of Egypt*  
*Mayor Match*

*Sherlock*  
*Mary's Mahjong*  
*Unexposed*  
*Jewels of Orient*  
*Martha's Mystery (2022)*  
*Mystery Estate (2022)*  
*Bayside Merge (2022)*



# Financials

# Financial Summary: Q2 2022

## Revenue SEK 344 M (337 M), +2% Y/Y

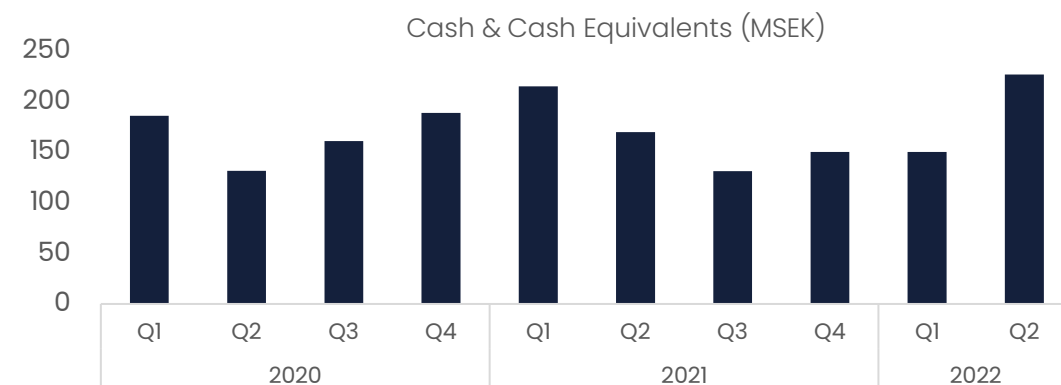
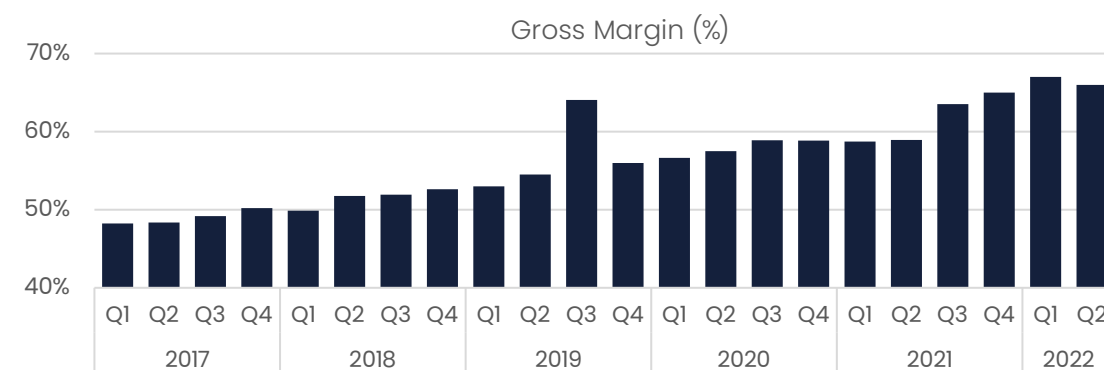
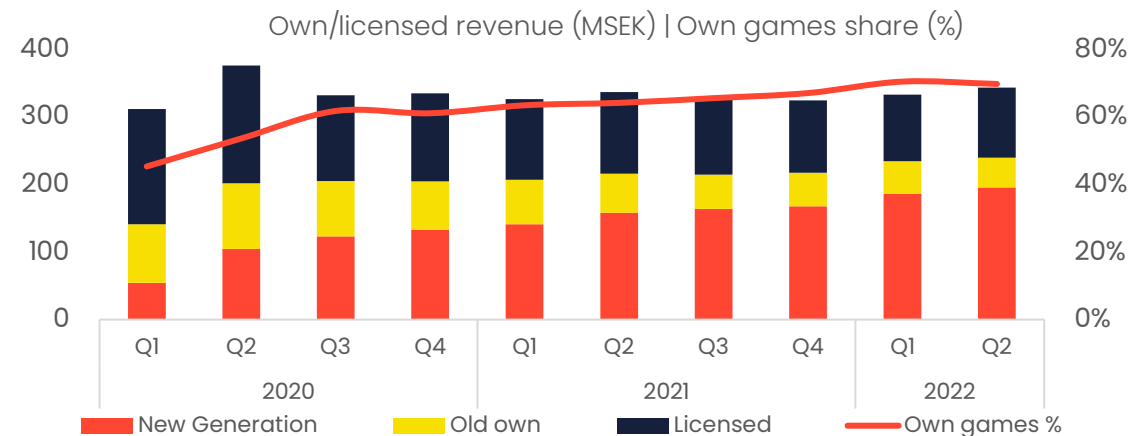
- Own games 69% of revenue (64%)
- *Sherlock* 19.5% of revenue (7.4%)
- New generation games: 57% of revenue (47%)  
Now, our biggest segment of the portfolio
- MAGRPPU -3% Y/Y **\$64.1**

## Operating profit (EBIT) SEK 1.0 M, EBIT margin 0.3% (adjusted for fx)

- Gross margin remains strong 66% (59%) due to high revenue share from own games, MS Store and G5 Store
- EBIT margin 0.3% (12.8) decline related to 35% UA boost (23%)  
Anticipate profitability to bounce back in Q4 and Q1 2023

## Strong operating cash flow

- Capitalization impact on cash flow: SEK -46.4 M (-39.1)
- Dividend SEK 59.1 M (54.1), 7.00 SEK/share (6.25)  
The highest dividend in the company's history
- Delayed UA payments impacted cash flow positively
- Total cash flow SEK 33.9 M (-45.1)
- Total cash at end of period SEK **226.3 M** (169.4)

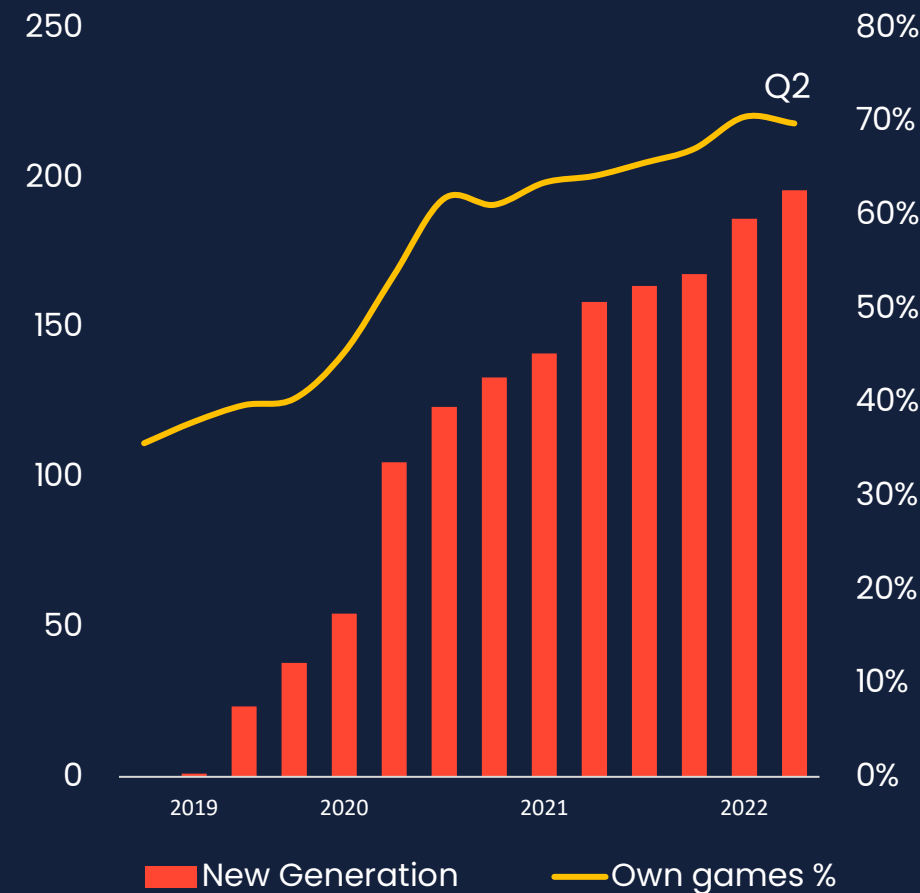


# Outlook 2022



- Working at capacity
  - Work is ongoing on all active and new projects
  - Stable team at around 960 employees through the end of the year
- 6 new games in 2022 (3 game recently released). No significant delays
- *Sherlock* should become our biggest game by revenue across all platforms before year end
- UA spend back to communicated range 17-22%  
Profitability should rebound in Q4 and Q1 2023
- Transition to wholly own games has been successful  
Wholly own games will continue to increase as % of revenue  
=> Higher gross margins and higher profitability
- Strong cash position despite highest dividend in the company's history  
Profitable, cash flow positive and zero debt  
We continue to follow our strategy

New Generation (MSEK) | Own Games (%)







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