

# **Rovio Entertainment**

## **Interim Report January–September 2019**



**Kati Levoranta, CEO**

**René Lindell, CFO**

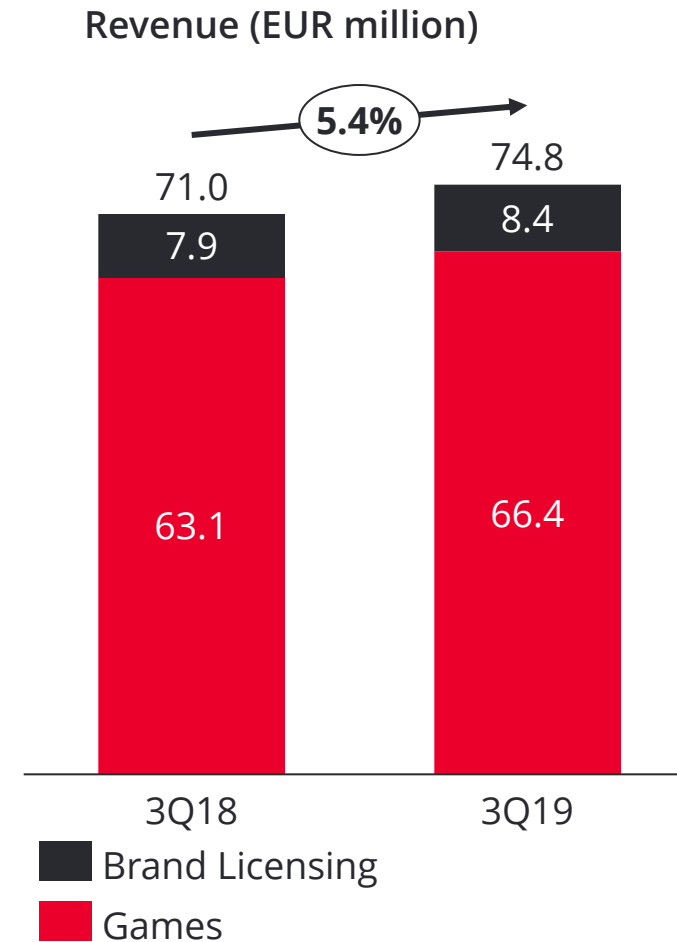
**October 30, 2019**

# Third Quarter of 2019 in an Eggshell

- Group revenue grew 5.4% and Games revenue grew 5.2% year-on-year
- Angry Birds Dream Blast reached EUR 17.8 million gross bookings and trending towards EUR 60 million for full year and annual gross bookings run-rate in September was close to EUR 80 million
- Angry Birds 2 gross bookings decreased from Q2 mainly due to soft July, boosted in Aug-Sep from the Angry Birds Movie 2 launch
- Adjusted operating profit margin was 7.2% which was lower in this quarter as expected due to higher user acquisition investments – especially to drive Angry Birds Dream Blast growth
- Angry Birds Movie 2 released. Reviews and audience scores have been very good, but box office has been softer than expected due to competitive landscape
- Sugar Blast, our second new game for 2019 launched in September – gradually ramping up

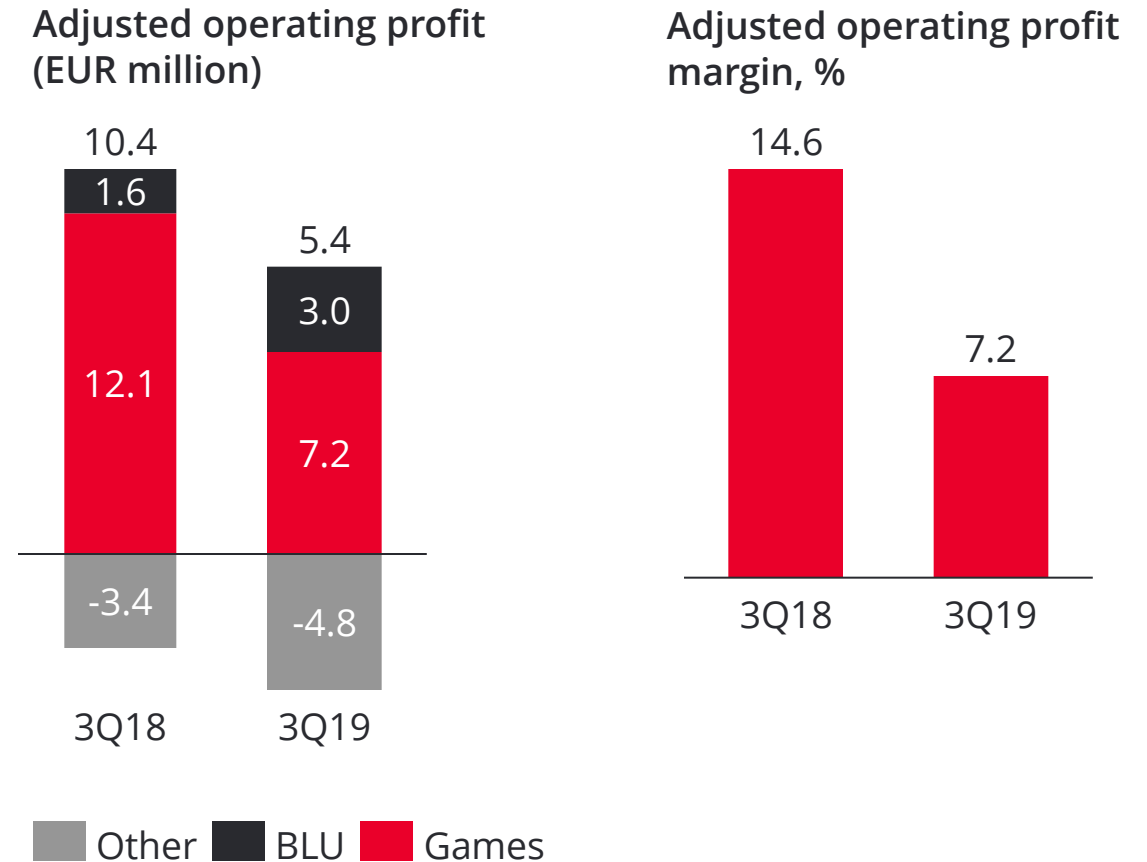
# Q3: Rovio group revenue grew +5.4% year-on-year

- Group 3Q19 revenue EUR 74.8 million (71.0)
- Games revenue grew 5.2% to EUR 66.4 million (63.1)
- Angry Birds Dream Blast growing strongly, older games declined
- Brand Licensing grew 6.2% year-on-year to EUR 8.4 million (7.9) due to higher consumer products revenues



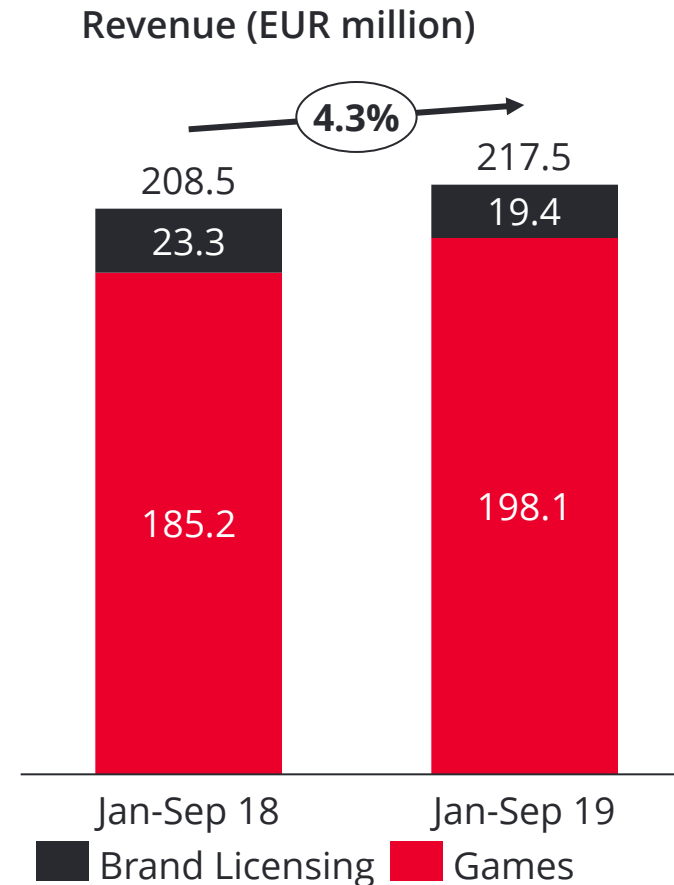
# Q3: Adjusted operating profit margin 7.2%

- Group adjusted operating profit EUR 5.4 million (10.4), and adjusted operating profit margin 7.2% (14.6%)
- Games adjusted operating profit declined to EUR 7.2 million (12.1) year-on-year due to much higher user acquisition investments
- Brand Licensing unit adjusted operating profit grew to EUR 3.0 million (1.6) due to higher revenues
- Lower year-on-year profitability overall due to high user acquisition investments and higher go-to-market expenses in Hatch Entertainment (in Other segment)



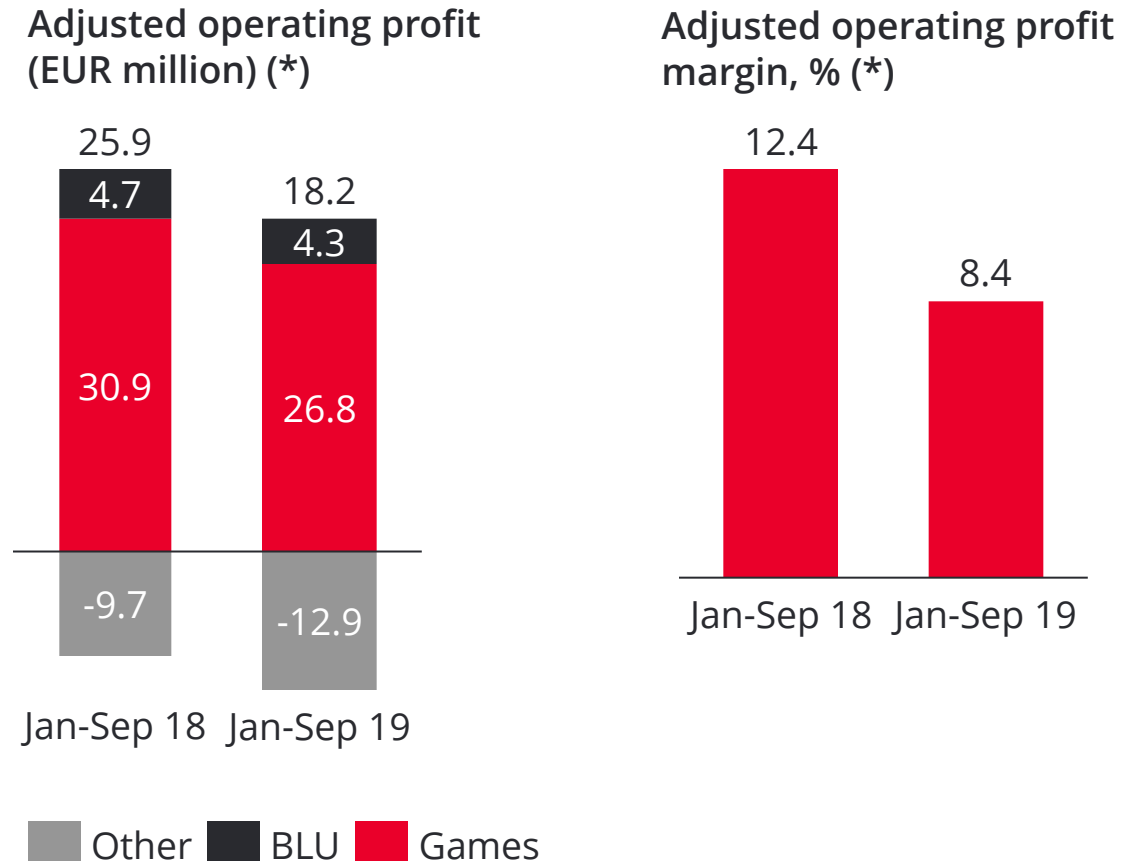
# Q1-Q3: Rovio group revenue grew 4.3%

- Group Q1-Q3 revenue EUR 217.5 million (208.5) and grew 4.3% year-on-year
- Games revenue grew 7.0% to EUR 198.1 million (185.2)
- Brand Licensing declined -16.8% year-on-year to EUR 19.4 million (23.3)



# Q1-Q3: Adjusted operating profit margin 8.4%

- Group adjusted operating profit was EUR 18.2 million (25.9), and adjusted operating profit margin 8.4% (12.4%)
- Games adjusted operating profit declined to EUR 26.8 million (30.9) year-on-year due to higher user acquisition investments
- Brand licensing adjusted operating profit declined to EUR 4.3 million (4.7) due to lower revenues
- Other segment adjusted operating profit declined to EUR -12.9 million (-9.7) due to higher go-to-market expenses in Hatch Entertainment

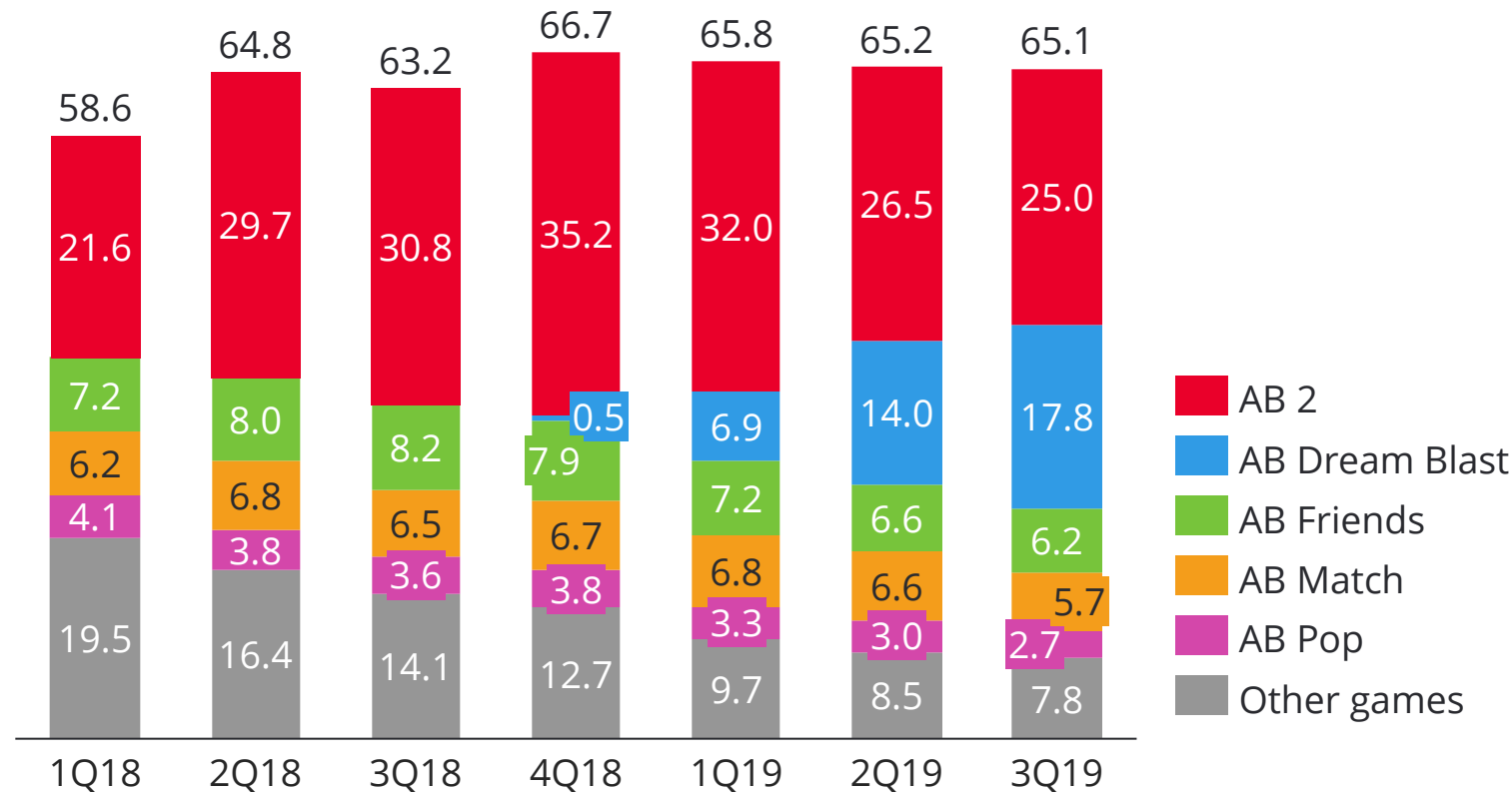


(\*) Adjustments in Jan-Sep 2018 were EUR 0.3 million related to closure of London games studio.

# Q3: Games gross bookings grew 3.0% y-o-y

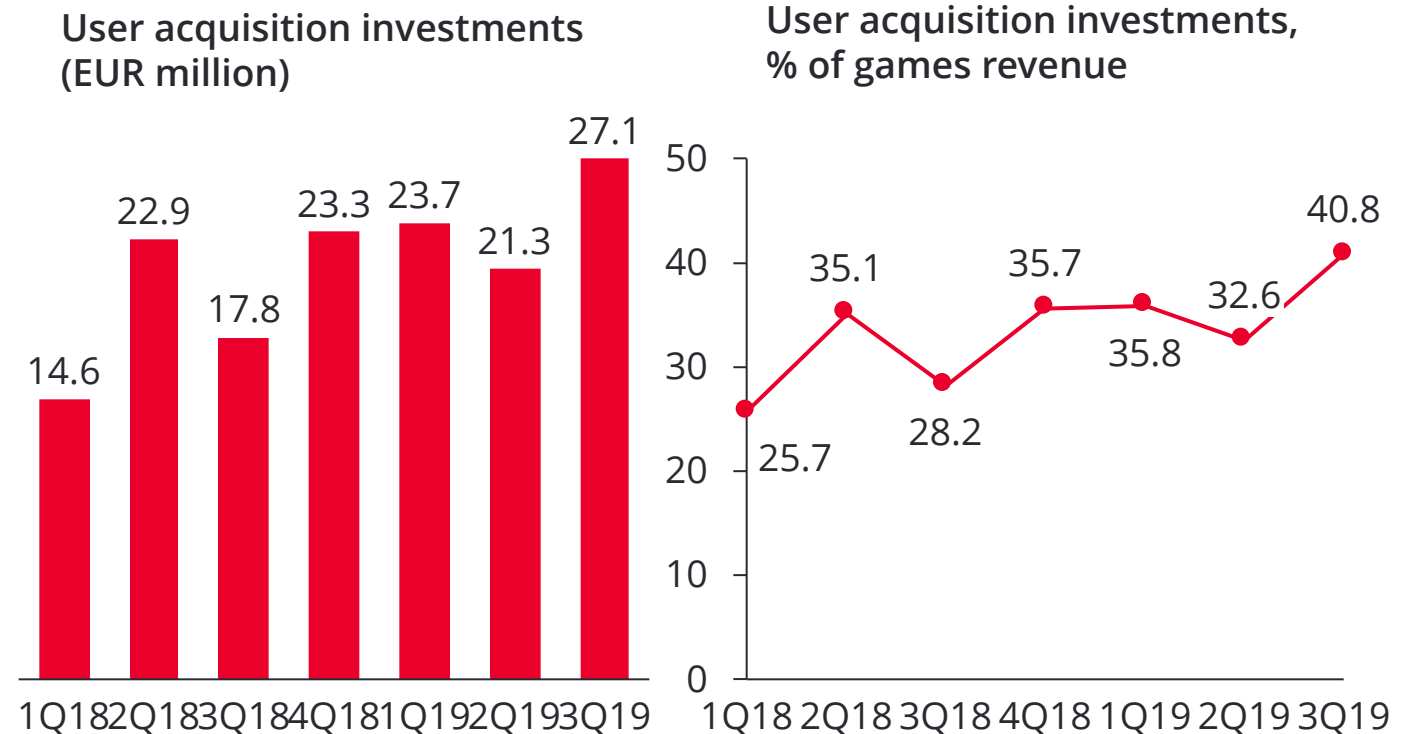
- Games gross bookings EUR 65.1 million (63.2) and 3.0% year-on-year growth; approximately stable in comparable currencies
- Angry Birds Dream Blast continued to grow and reached EUR 17.8 million gross bookings in Q3 and close to EUR 20 million quarterly gross bookings run-rate in September
- Angry Birds 2 lower year-on-year due to much lower user acquisition in 2019; after soft July. Aug-Sep improved
- Older games declined

Games gross bookings (EUR million)



# Q3: User acquisition 40.8% of games revenue

- 3Q19 user acquisition investments were EUR 27.1 million (17.8) or 40.8% (28.2%) of games revenue
- User acquisition investments mostly for Angry Birds Dream Blast
- Angry Birds 2 investments were higher than earlier this year, especially during the movie sequel launch in August
- Full year 2019 UA investments estimated at 35-40% of games revenues

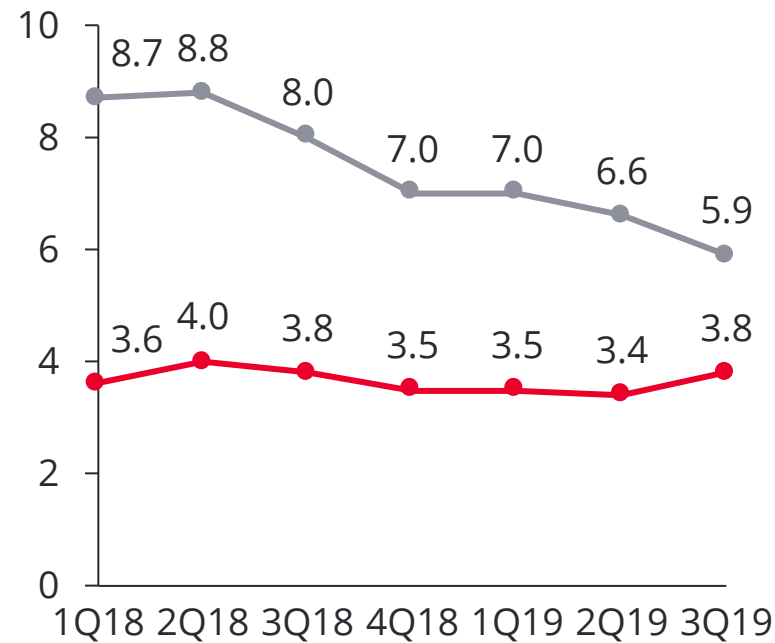




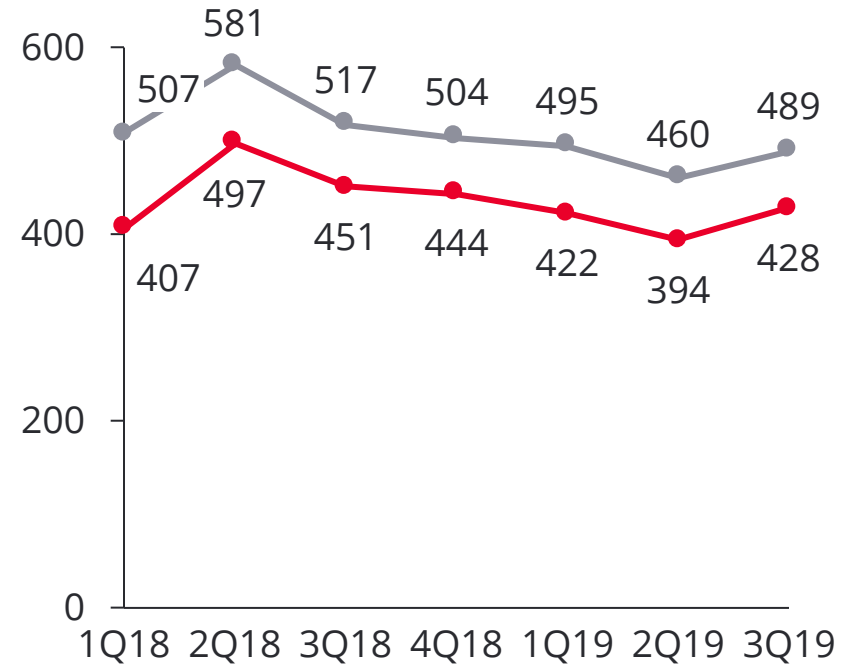
# DAU and MUP for top 5 games grew in Q3

- Daily active users (DAU) in 3Q19 for top games grew boosted by movie sequel and UA
- Reported DAU of total games portfolio had a one-off drop of approximately 0.6 million as we stopped tracking the active user count in some of the older games that use legacy backend systems (comparable number approximately 6.5)
- Monthly unique payers grew in the quarter as a consequence of higher daily active users in top 5 games

DAU (Daily Active User), millions



MUP (Monthly unique Payers) thousands

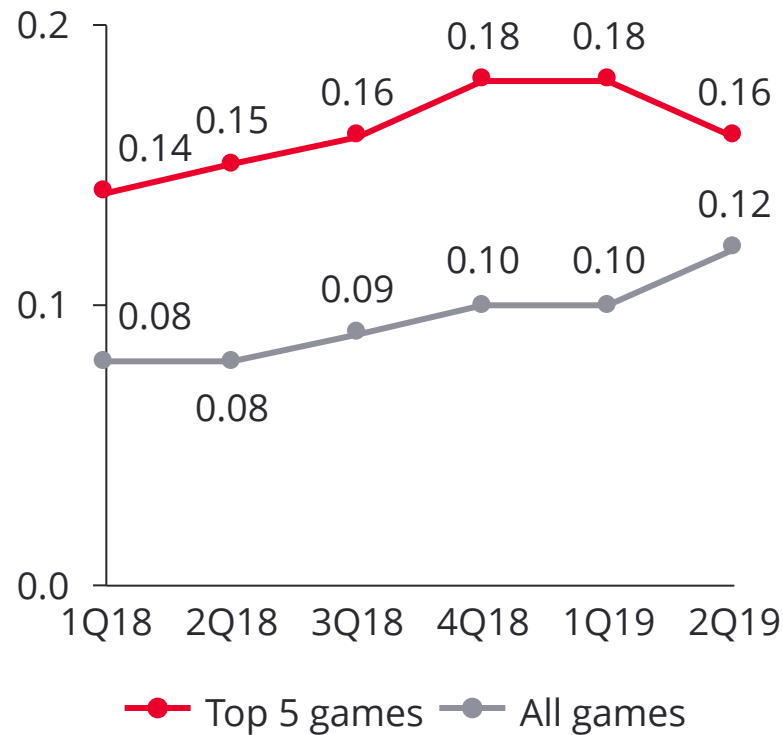


—●— Top 5 games —●— All games

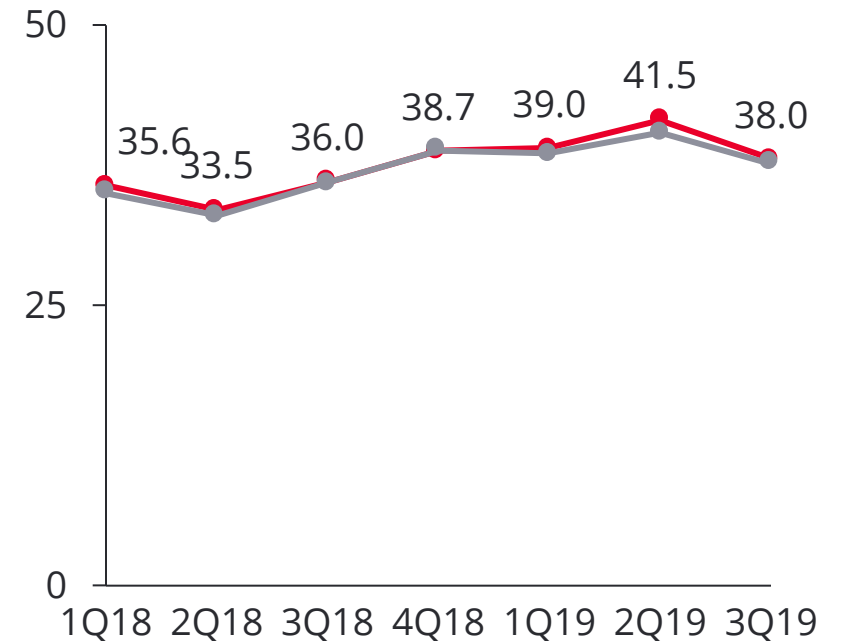
# Average monetization numbers impacted by large inflow of organic users during movie 2 launch

- ARPDAU for all games grew to 12 cents as the top 5 games increased share of total portfolio DAU
- ARPDAU for top 5 games declined as organic downloads for Angry Birds 2 grew fast during the movie sequel launch in August
- MARPPU decreased somewhat as well for the same reason as ARPDAU

ARPDAU (Average Revenue Per Daily Active User), EUR



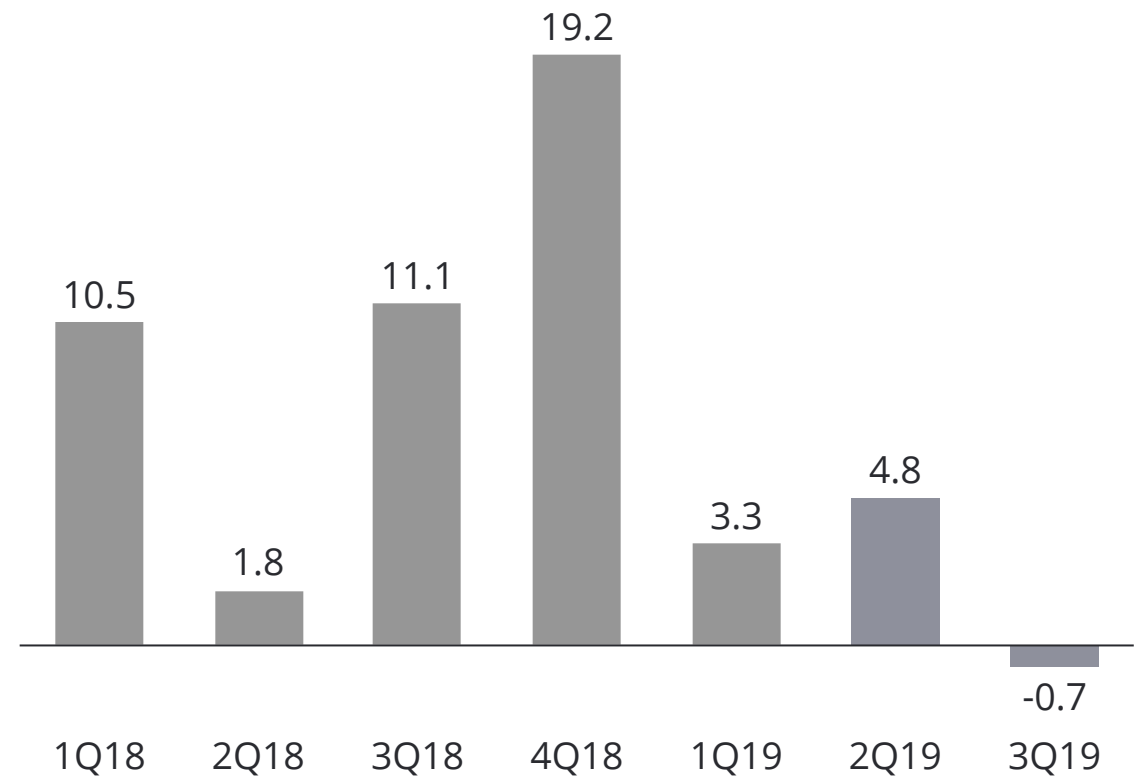
MARPPU (Monthly Average Revenue per Unique Payer), EUR



# Cash flow

- Operating cash flow was EUR -0.7 million in Q3 (11.1) mainly due to large working capital changes and lower net profit in the period
- Cash balance at end of 3Q19 EUR 127.9 million (end of 2Q19: EUR 124.6 million)
  - EUR 4.5 million capital from subscription of 2015 option series

Operating cash flow (EUR million)



# **2019 Outlook (updated 12.9.2019)**

In 2019, Rovio expects group revenue to grow to **EUR 295 – 310 million** and adjusted operating profit margin to be between **5 and 8 percent**

# Games roadmap

- Angry Birds 2 and Angry Birds Dream Blast continuously develop new and exciting in-game events
- New IP game Sugar Blast was launched September 5
- We have 9 new games in development, of which 3 are in soft launch: Angry Birds Pop 2, World Quest and Small Town Murders (soft launched 10th October)
- Aiming to launch 1-2 games within first half of 2020 – actual timing always dependent on KPIs and user acquisition readiness



# Sugar Blast™



**SWEET**  
rewards!

**BLAST**  
candies!

# ANGRY BIRDS POP2



# WORLD QUEST!





# Small Town **MURDERS**



CRIME SCENE DO NOT CROSS

# The Angry Birds Movie 2

- Angry Birds Movie 2 opened in August and rolled out globally during August-October
- Excellent film scores from both reviews and audience, however, box office performance not as good as hoped for (currently at USD 143 million)
- An uptick in game downloads seen mostly in August, during the USA launch, especially for Angry Birds 2



# Hatch

- Hatch continued go-to-market with key partners
  - Sprint launch in USA
  - Co-operation with Samsung broadened to key European markets
- Hatch Kids standalone app soft launched in Finland and Sweden
- To accelerate growth and expansion to new markets, Hatch continues to seek external funding and further strategic partnerships
- As part of the funding round Rovio is prepared to reduce its ownership below 50%



**In-depth presentation of our growth  
strategy to be presented during  
Capital Markets Day  
November 4, 2019**