

**Rovio Entertainment
Interim Report January–March 2020**



**Kati Levoranta, CEO
René Lindell, CFO**

April 28, 2020

Today's speakers



Kati Levoranta
CEO



Rene Lindell
CFO

To ask your question

Dial:

FI: +358 981 710 310

SE: +46 856 642 651

UK: +44 333 300 08 04

US: +1 855 857 06 86

PIN: 76415854#

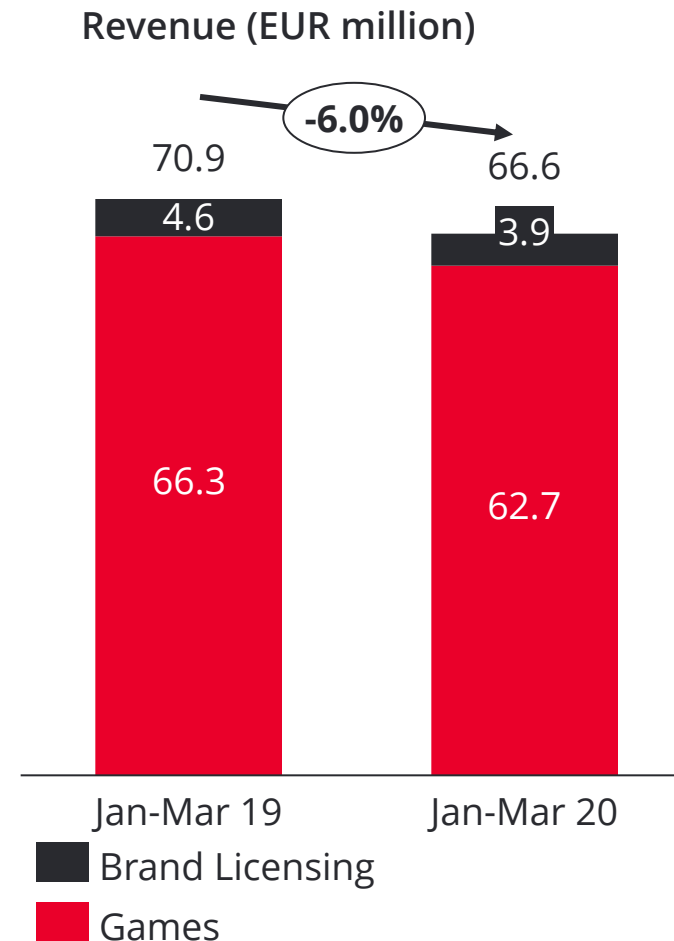
First Quarter of 2020 in an Eggshell

Improved profitability, cash flow and the performance of Angry Birds 2

- Adjusted EBIT margin was 19.6%. Profitability was impacted by a low level of user acquisition (UA) and stable key games performance, most notably Angry Birds 2
- Operating cash flow increased y-o-y to EUR 11.5m (3.3)
- Group revenue was EUR 66.6m, decreased 6.0% y-o-y.
 - Games revenue EUR 62.7m, Brand Licensing EUR 3.9m
- UA investment were 21.5% of Games revenues.
- Exciting game roadmap: altogether 10 new games in development, of which 3 are in soft launch
- Angry Birds long-form animated series announced with Netflix scheduled for release in 2021
- Hatch completed restructuring of operations as planned. The restructuring is estimated to result in annualized cost savings of approximately EUR 6 million effective from June 2020 onwards.

Q120: Rovio Group revenue declined by 6.0%

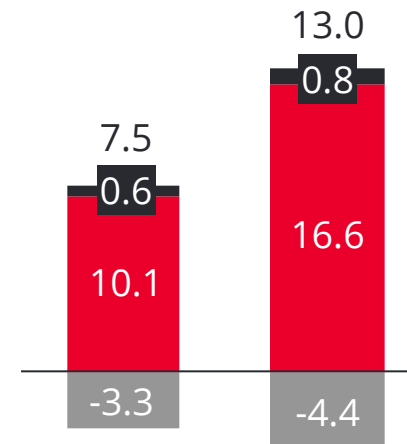
- Group Q120 revenue declined 6.0% to EUR 66.6m (70.9)
- Games revenue declined 5.3% to EUR 62.7m (66.3)
 - Angry Birds 2 gross bookings declined vs. Q119 but were at a stable level compared to three previous quarters
 - Angry Birds Dream Blast revenue declined vs. Q419 due to lower level of UA. Sugar Blast gross bookings marginally increased vs. Q419.
- Brand Licensing declined 15.9% y-o-y to EUR 3.9m (4.6) due to lower revenues from The Angry Birds Movie as expected.



Q120: Improved profit margin due to stability of key games despite lower user acquisition

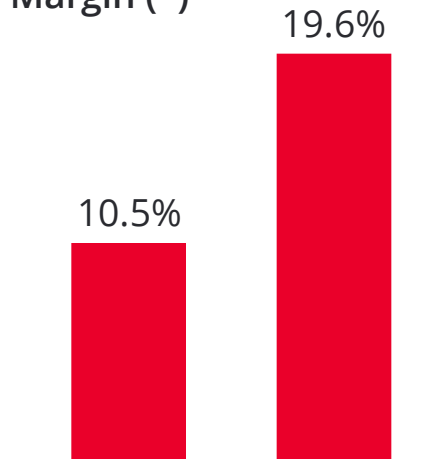
- Group adjusted operating profit was EUR 13.0m (7.5), and adjusted operating profit margin was 19.6% (10.5%)
 - Key drivers of the improvement in profitability were strong performance in Angry Birds 2 and the decrease in UA investments.
- Games adjusted operating profit increased to EUR 16.6m (10.1) y-o-y
- Brand Licensing unit adjusted operating profit increased to EUR 0.8m (0.6)

Adjusted operating profit (*)
(EUR million)



Jan-Mar 19 Jan-Mar 20

Adjusted operating profit
Margin (*)



Jan-Mar 19 Jan-Mar 20

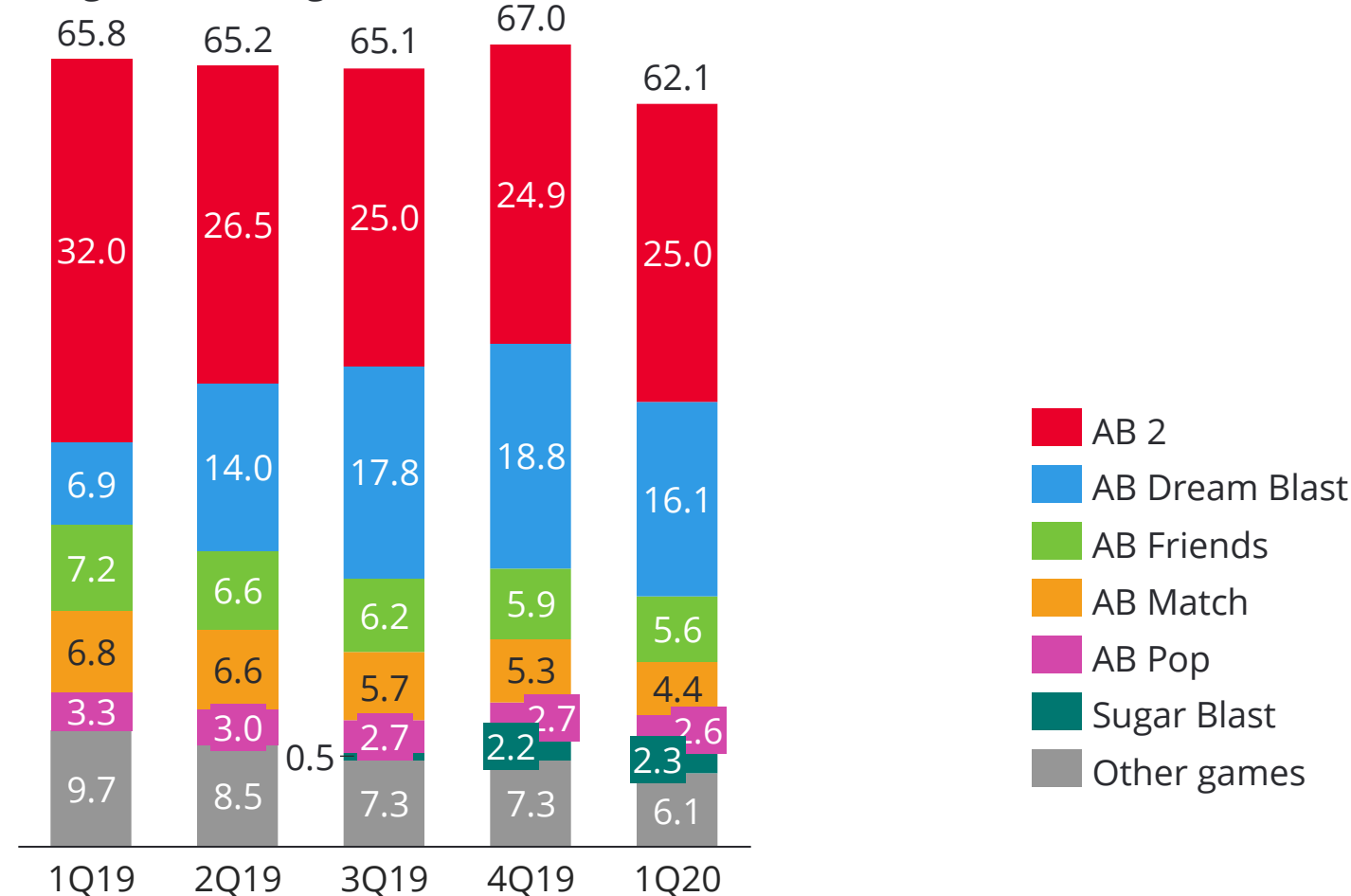
Other BLU Games

(*) The adjustments during the Jan-Mar 2020 period amounted to EUR 0.3 million and were related to the restructuring of Brand Licensing and Hatch Entertainment. There were no adjustments in the Jan-Mar 2019 period.

Q120: Games gross bookings declined 5.7% y-o-y

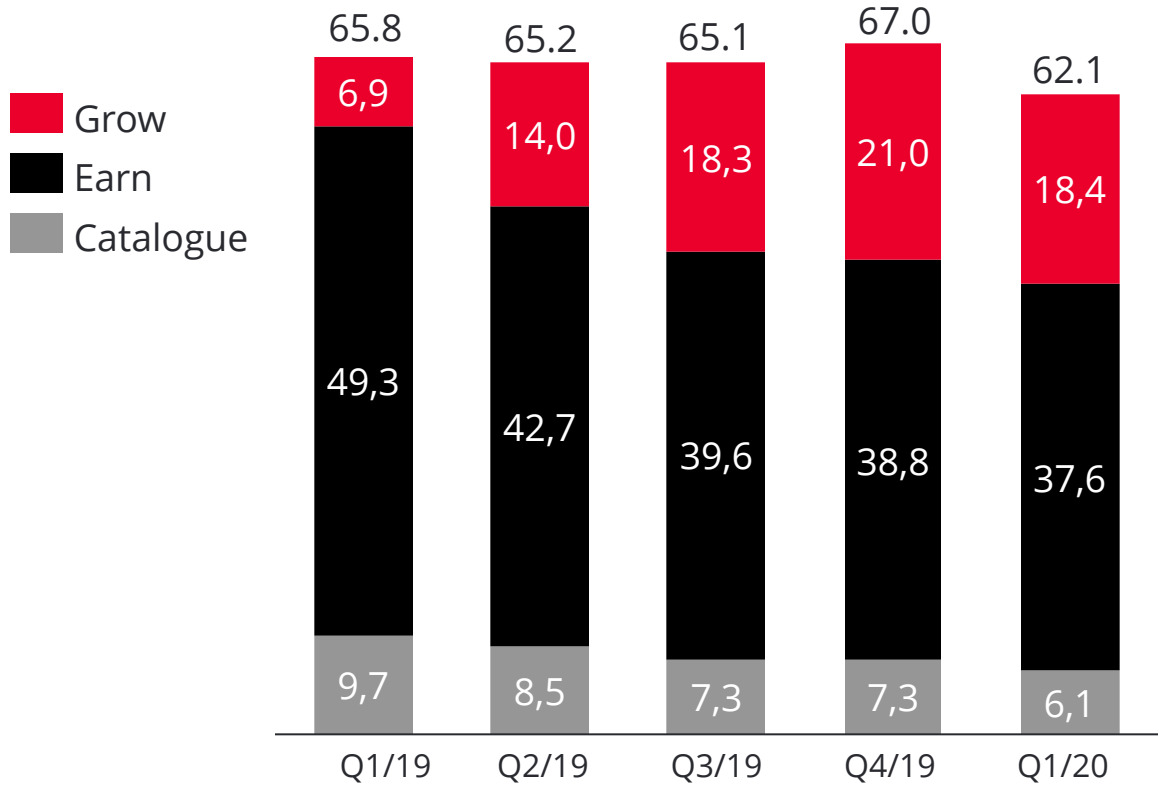
- Games gross bookings EUR 62.1m (65.8) and 5.7% y-o-y growth; declined approximately 8% in comparable currencies
- Angry Birds Dream Blast grew y-o-y, but declined q-o-q as a result of reduced UA investments
- Angry Birds 2 grew marginally q-o-q. The game performance improved on the back of new updates
- Sugar Blast gross bookings were EUR 2.3m in Q120. Working to improve scalability.

Games gross bookings (EUR million)



Angry Birds 2 (Earn) was the highlight of Q1

Games gross bookings (EUR million)



- Sugar Blast
- Angry Birds Dream Blast
- + games in soft launch



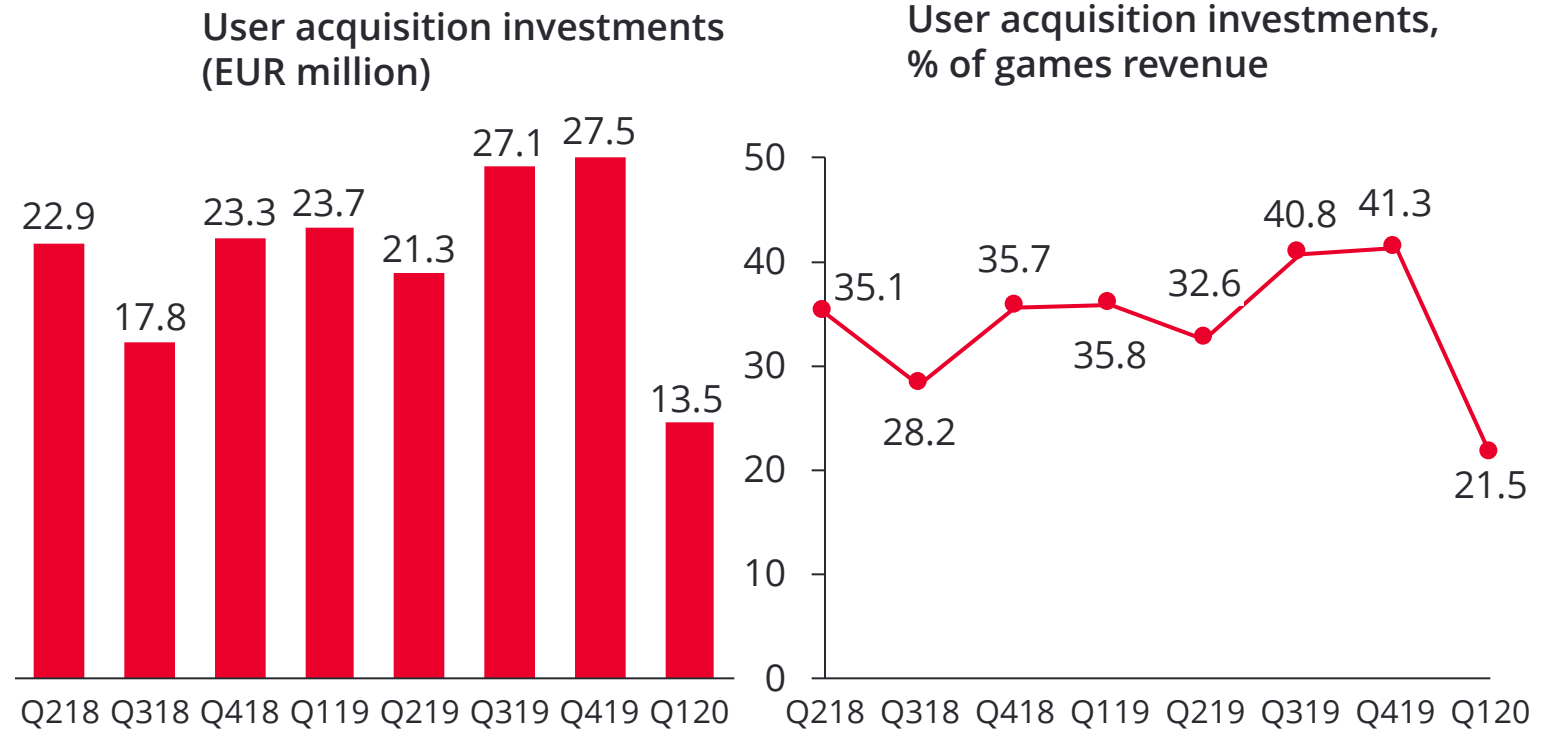
- Angry Birds 2
- Angry Birds Match
- Angry Birds Friends
- Angry Birds Pop



- +other games

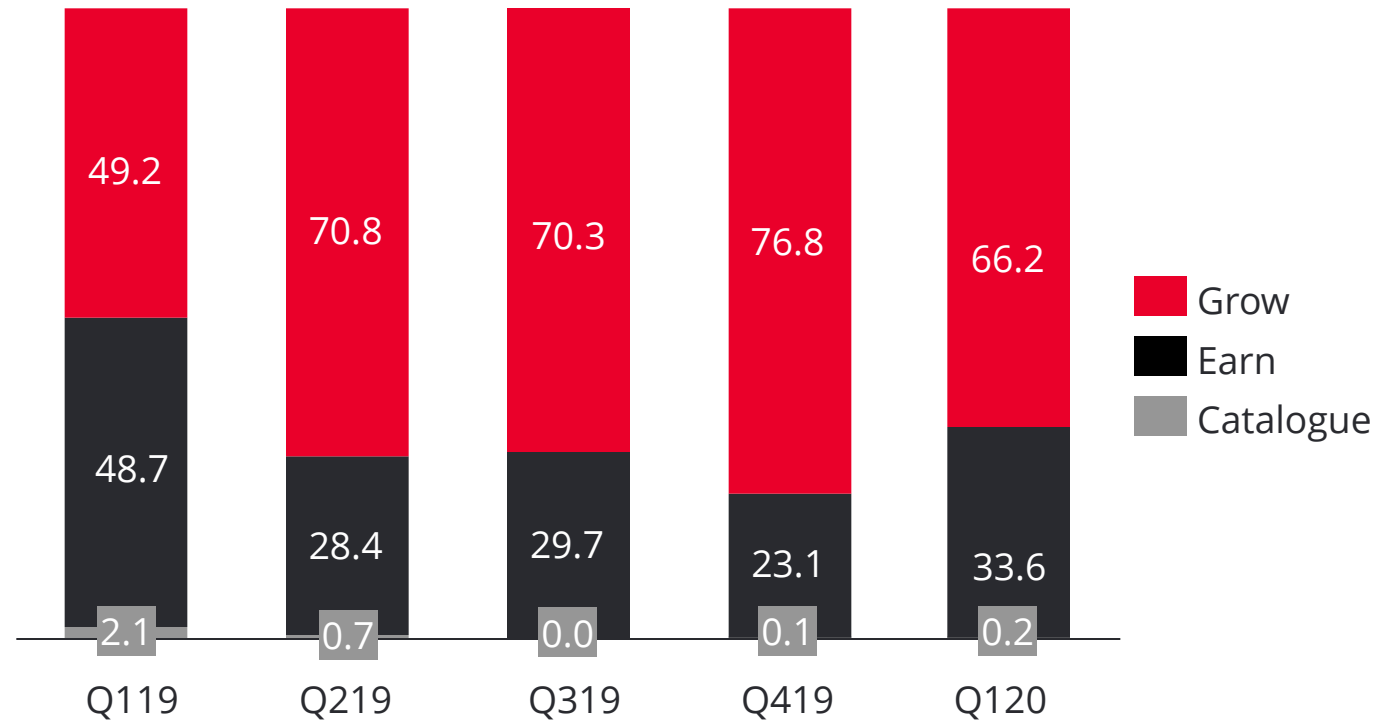
Q120: Lower level of user acquisition investments

- Q120 UA investments were EUR 13.5m (23.7) or 21.5% (35.8%) of games revenue
 - The largest reduction of UA took place in Angry Birds Dream Blast
- Significant proportion of UA for the “Grow” – category of games
- Angry Birds 2 received less UA vs. Q419 (and significantly less vs. Q119)



Q119-Q120 UA split (%) per games category

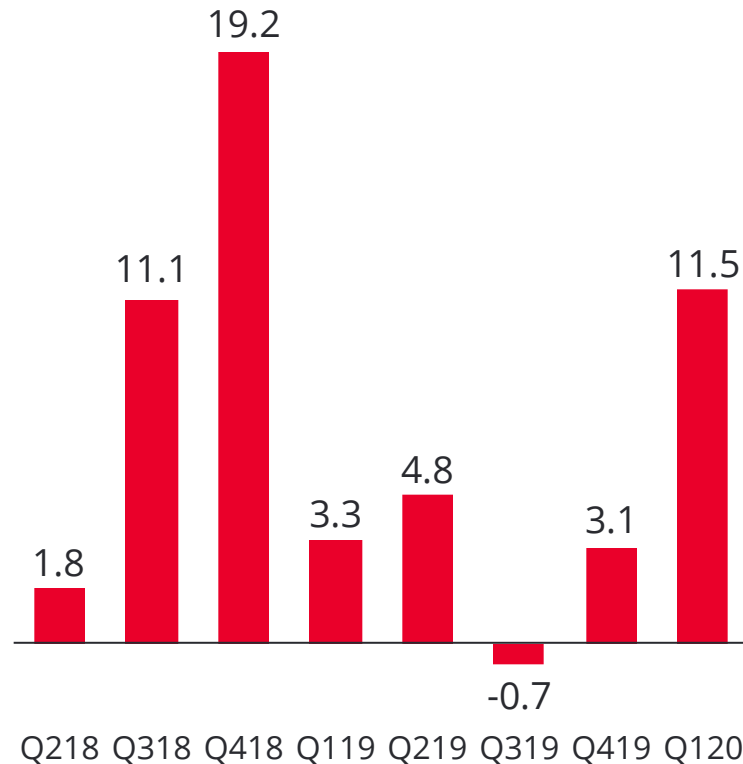
- 66.2% was allocated to “Grow” category games Angry Birds Dream Blast and Sugar Blast.
- 33.6% of UA to “Earn” category, mainly to Angry Birds 2
- Catalogue games did not receive any significant UA investments



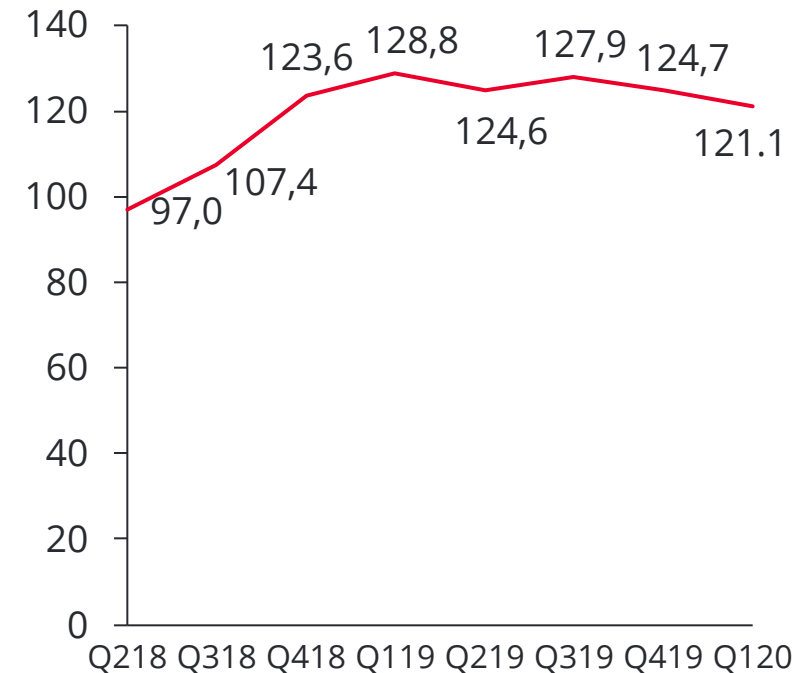
Operating cash flow improved

- Operating cash flow was EUR 11.5m in Q120 (3.3)
 - Cash flow increased significantly y-o-y as a result of improved profitability
- Cash balance at end of Q120 EUR 121.1m (end of Q419: EUR 124.7m)
 - EUR 11.1m cash used to purchase treasury shares during Q120

Operating cash flow (EUR million)



Cash & cash equivalents (EUR million)



No changes to 2020 Outlook

2020 outlook

During 2020 we aim to launch 1-3 new games. The timing of new game launches depends on how the games progress in soft launch. Therefore, we do not give a full year 2020 revenue guidance. We start the year at a lower user acquisition level than we ended last year. Due to lower user acquisition investments and the planned cost savings in Hatch Entertainment Oy our adjusted operating profit improves.

Basis for outlook

- Our long-term strategy is to seek growth in the Games business through improving the performance of our key games and developing new games.
- Brand Licensing segment is optimized for profit at a lower revenue which is expected to decline approximately 50% year-on-year in 2020.
- Hatch Entertainment annualized expenses are expected to be approximately EUR 5 million (2019: EUR 10.9 million) on an adjusted basis after restructuring and aligning with its new strategy.

Basis for 2020 outlook per games category

GROW

We believe Angry Birds Dream Blast will grow on an annual basis, but starts the year at a lower quarterly run-rate compared to the end of 2019. We have a strong feature roadmap for the game focusing on improvements to long term retention and the marketability of the game. We are devoted to improving Sugar Blast gameplay and introducing new live operations to improve retention and monetization to scale the game up.

EARN

The revenues of Angry Birds 2 stabilized despite much lower user acquisition investments y-o-y. We further focus on improving the performance of the game through introducing new updates that increase engagement with our core users. The revenue of other games (Angry Birds Match, Angry Birds Friends and Angry Birds Pop) is expected to continue decline at a steady slow pace. We have lowered or stopped user acquisition investments into these three games.

CATALOGUE

We expect these games to continue declining over time. They still receive substantial organic downloads but the active user base and revenues are expected to decline over time and we do not develop these games further.

NEW GAMES

We aim to launch 1-3 new games in 2020. Currently we have three games in soft launch and several games in other phases of production.

Games roadmap broadened

- We have altogether 10 new games in development, of which 3 are in soft launch:
 - World Quest (soft launched July 2019)
 - Small Town Murders (soft launched October 2019)
 - Phoenix Rangers (soft launched November 2019)
- Aiming to launch at least 1-3 new games during 2020, timing always dependent on game KPIs and the scalability of user acquisition
- Small Town Murders scheduled for launch in June 2020.
- We continue to manage the game development pipeline by adding more new projects to the beginning of the funnel and assessing the potential in existing projects
 - Angry Birds Pop Blast discontinued in January.



Small Town **MURDERS**



WORLD QUEST!



PHENIX RANGERS



To ask your question



Kati Levoranta
CEO



Rene Lindell
CFO

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PIN: 76415854#

Q&A

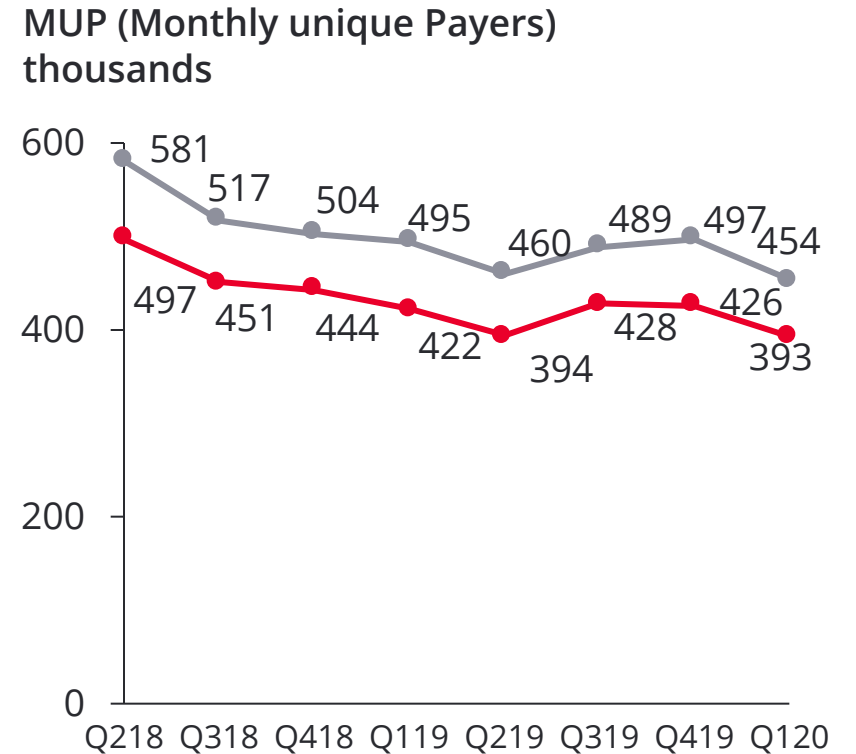
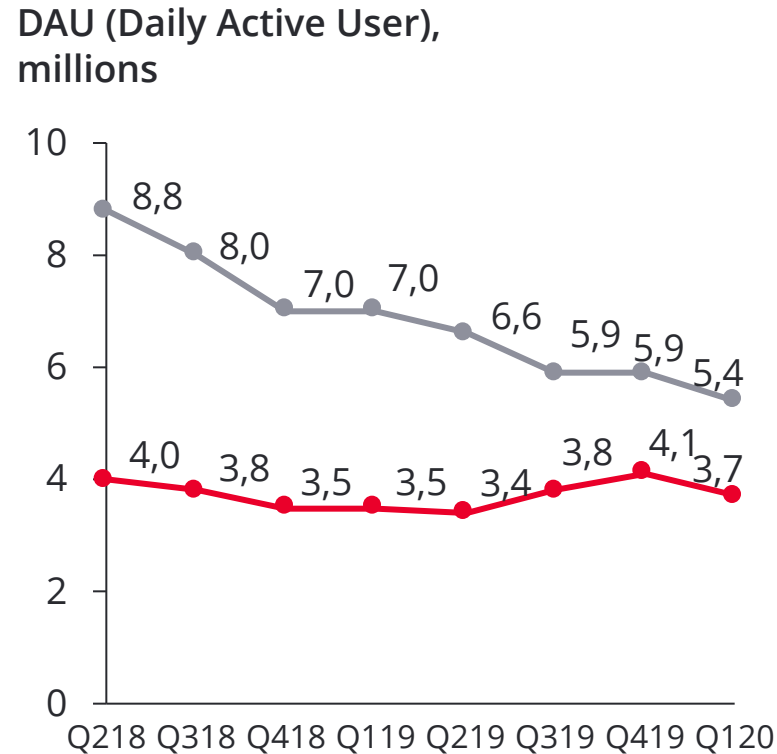


Appendix



Lower UA reflected in DAU and MUP during Q1

- Daily active users (DAU) in Q120 for top games was 3.7 million.
- Monthly unique payers (MUP) for top 5 games was 393 thousand.
- Lower UA and seasonally weaker Q1 vs. Q4 are two key drivers explaining the drop in these metrics.

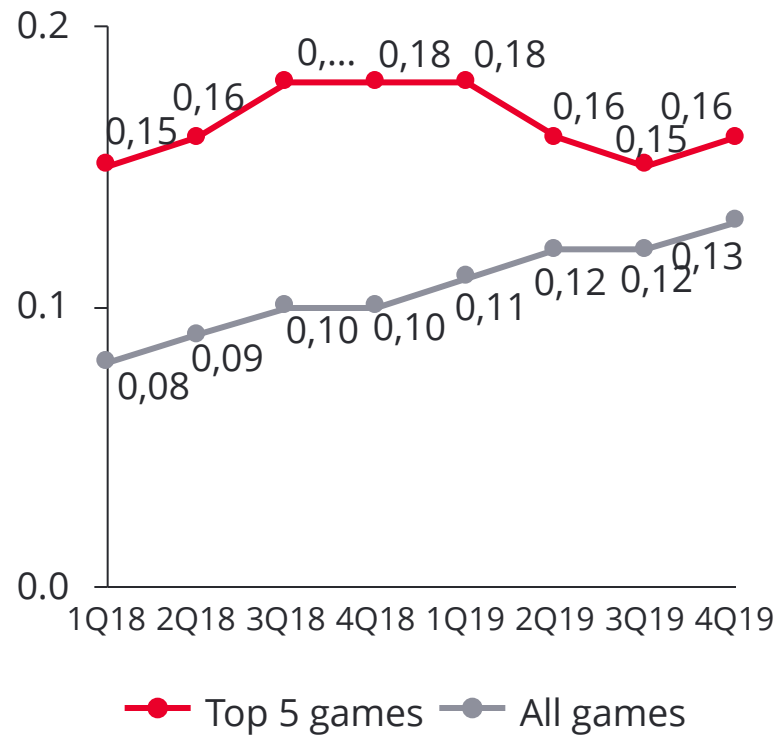


—●— Top 5 games —●— All games

Monetization has remained stable q-o-q

- ARPDau for all games
EUR 0.13
- ARPDau for top 5 games
EUR 0.16
- MARPPU for top 5 games
was EUR 39.6

ARPDau (Average Revenue Per Daily Active User), EUR



MARPPU (Monthly Average Revenue per Unique Payer), EUR

