



ANNUAL GENERAL MEETING 2018

**CEO REVIEW**

**Kati Levoranta**

Translated from the Finnish original

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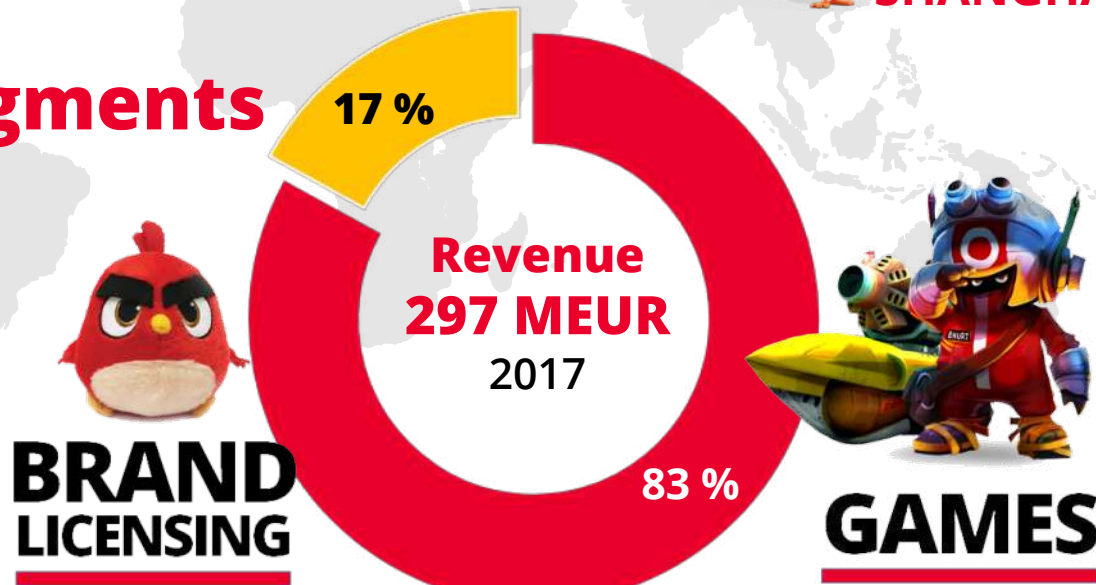
# **ROVIO, MOBILE GAMING MARKET AND ROVIO'S BUSINESS MODEL**

# Games First Entertainment Company

## Locations



## Business segments



## Personnel

**416**  
employees

**36**  
average age

**35**  
nationalities

**30 | 70%**  
women | men

# Games studios in Espoo and Stockholm

STOCKHOLM



ESPOO

**STOCKHOLM STUDIO**  
Role-playing games



**Reginaldo Valadares**

**BATTLE STUDIO**  
Battle games



**Tuomo Lehtinen**

**PUZZLE STUDIO**  
Puzzle games



**Heini Kaihu**

# Mobile games is a growth market

**50**  
billion USD

Total mobile gaming  
market  
in year 2017

**+23%**

**+10 %**  
North  
America

**+12%**  
Western  
Europe

**+41 %**  
China

**+19%**  
Rest of the  
World



x% = 2016-2017 growth %  
Source: Newzoo January 2018

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**ROVIO**

Rovio © 2018 Confidential

# Key success factors in a growing games market

- High quality free to play - games
- Brand
- Optimization of user acquisition
- Cross-promotion through large user base
- Financial resources



# Rovio's revenue model

## Games



Players download games from application stores for free



Players do in-application purchases

Players watch ads in the game



89 % of games revenues (2017)



11 % of games revenues (2017)

## Licensing

Rovio licenses brand to product manufacturers and content creators directly or through agents



Manufacturers make the products and handle distribution. Content creators create content and handle distribution.



Rovio's revenues consists of royalties



# Well functioning user acquisition is a necessity

Organic downloads

User acquisition



ANGRY BIRDS™

97%

awareness

Cross-promotion

First global brand based on a mobile game

First mobile game to have a successful movie

- Targeted digital marketing
- Enables reaching the right players from monetization viewpoint
- Steered by a financial governance model that is closely monitored in order to reach a certain profit target

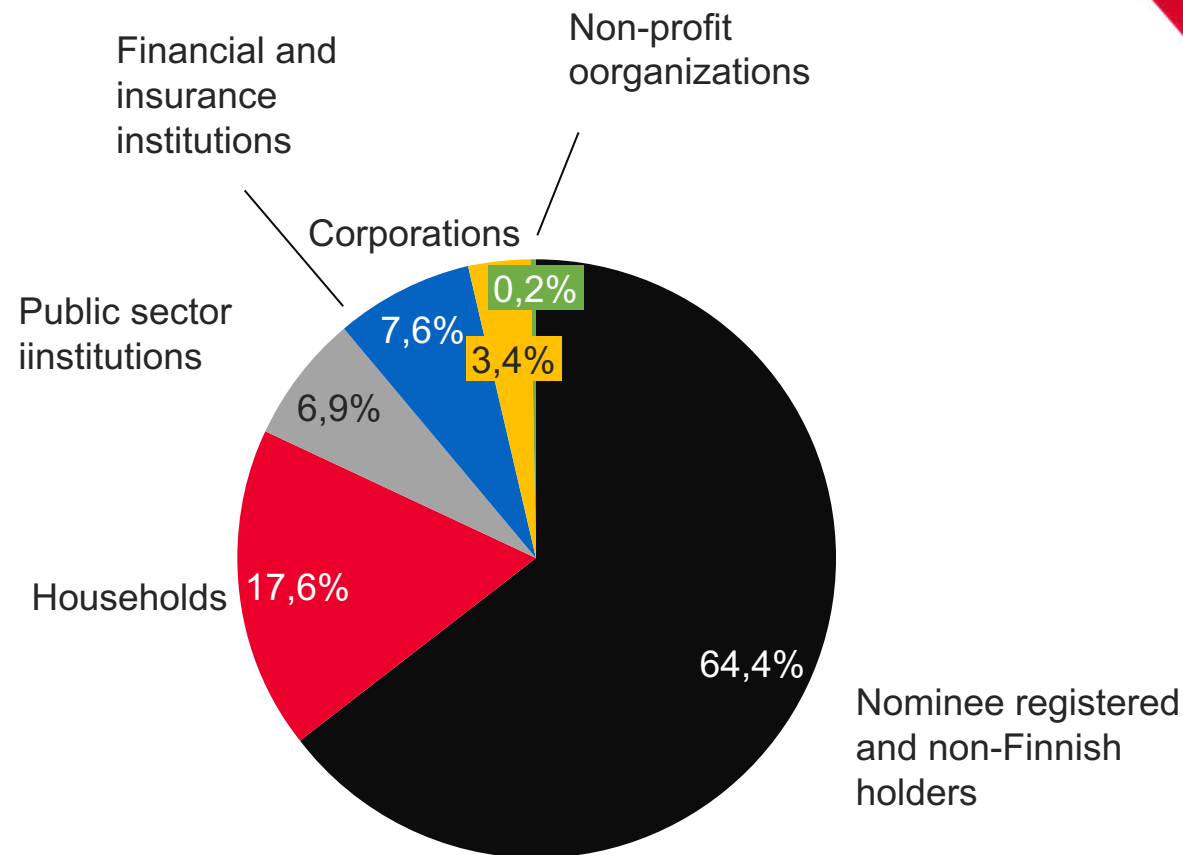
64.8M  
Monthly active users\*

9.2M  
Daily active users\*

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# Listing and ownership structure

- Trading on main list started 3.10.2017
- The company got **11 000** new shareholders in the listing and raised **30** million euros (gross)
- On 31.3.2018 there were **21 353** shareholders in total

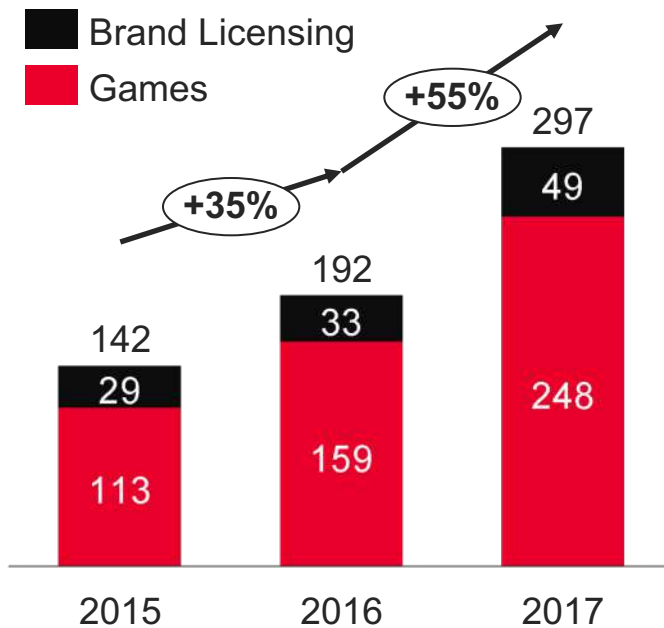


# 2017 REVIEW

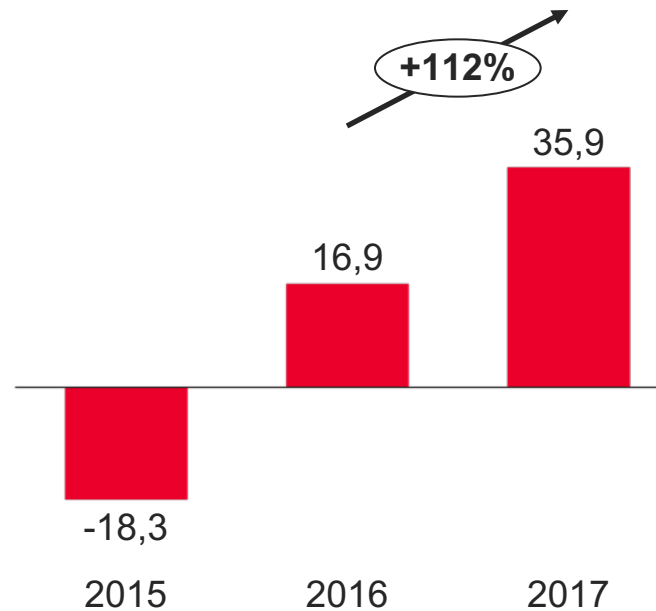
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# Rovio's strong growth continued in 2017

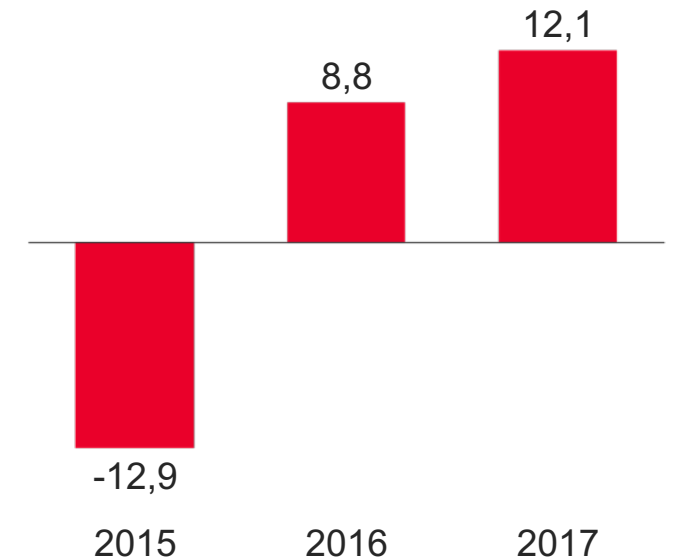
**Revenue (million euros)**



**Adjusted EBIT (million euros)**



**Adjusted EBIT margin (%)**



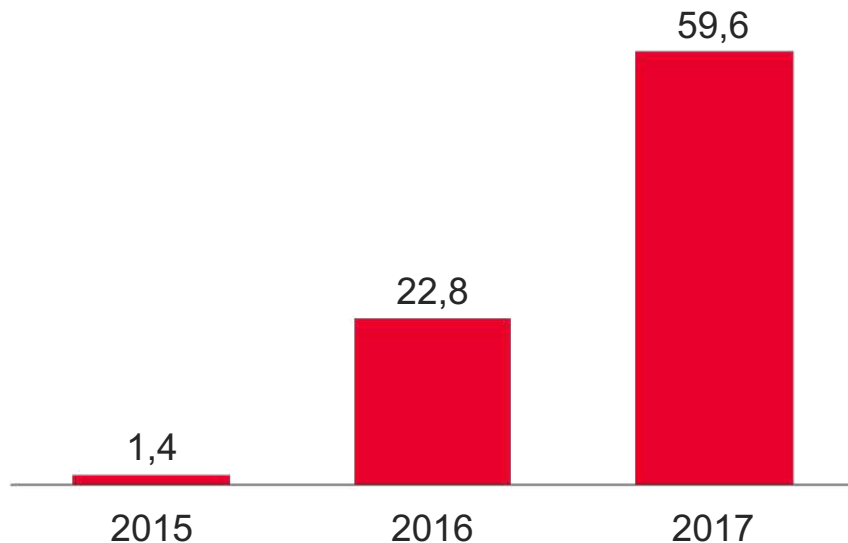
## Drivers of growth and profitability

- New games and improved monetization, profitable user acquisition
- Angry Birds movie revenues
- Improved profitability in Brand Licensing

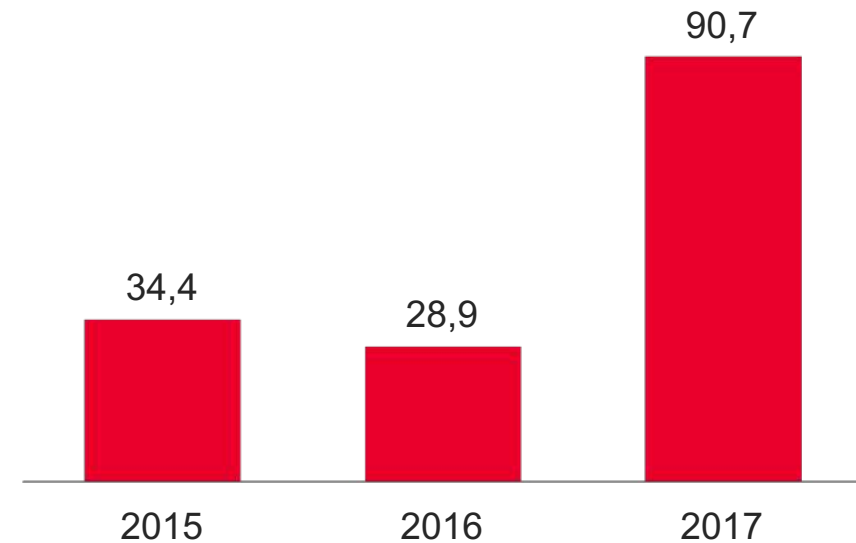
EBIT adjustments: 2015 3.3 million euros restructuring costs, 2017 4.5 million euros related to Brand licensing business restructuring and stock exchange listing related expenses

# Strong cash flow generation

**Cash flow from operating activities  
(million euros)**



**Cash balance at end of period  
(million euros)**



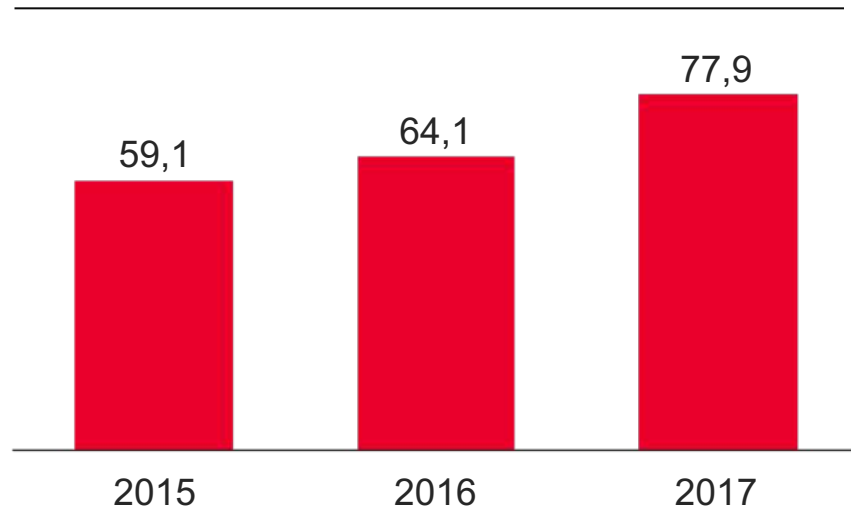
**Other factors that impacted significantly cash flow**

- 16.7 million euros EIB loan repayment
- 30 million euros gross funds raised in IPO
- 8.1 million euros investments in externally developed games and animation
- Dividend payments of 4.5 million euros

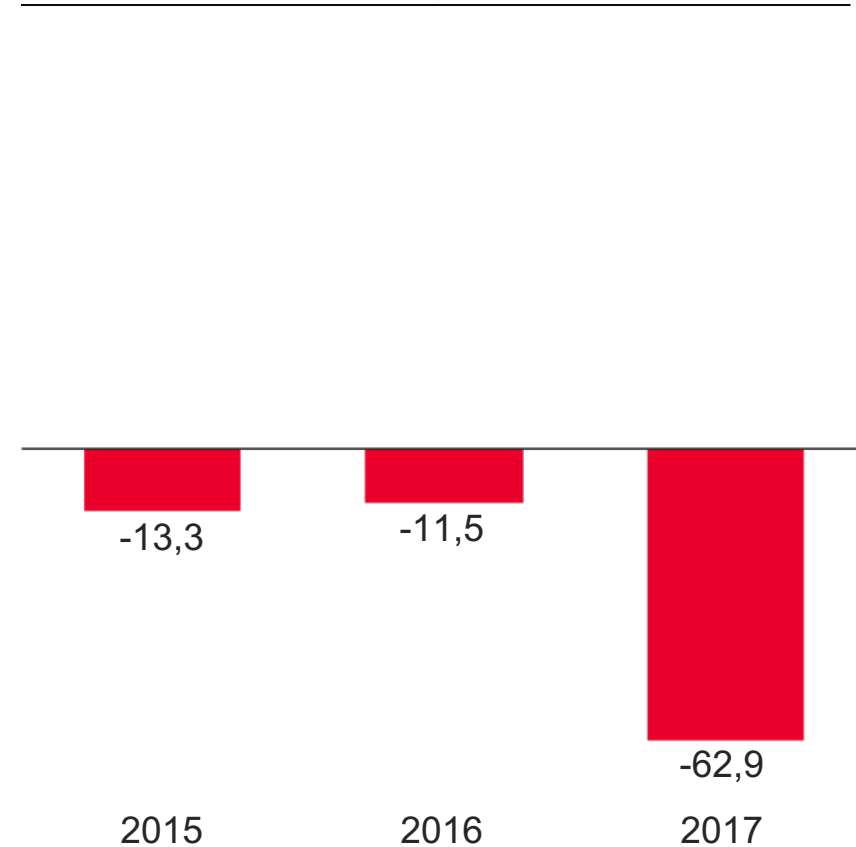
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# Strong balance sheet increases flexibility in strategy execution

**Equity ratio (%)**

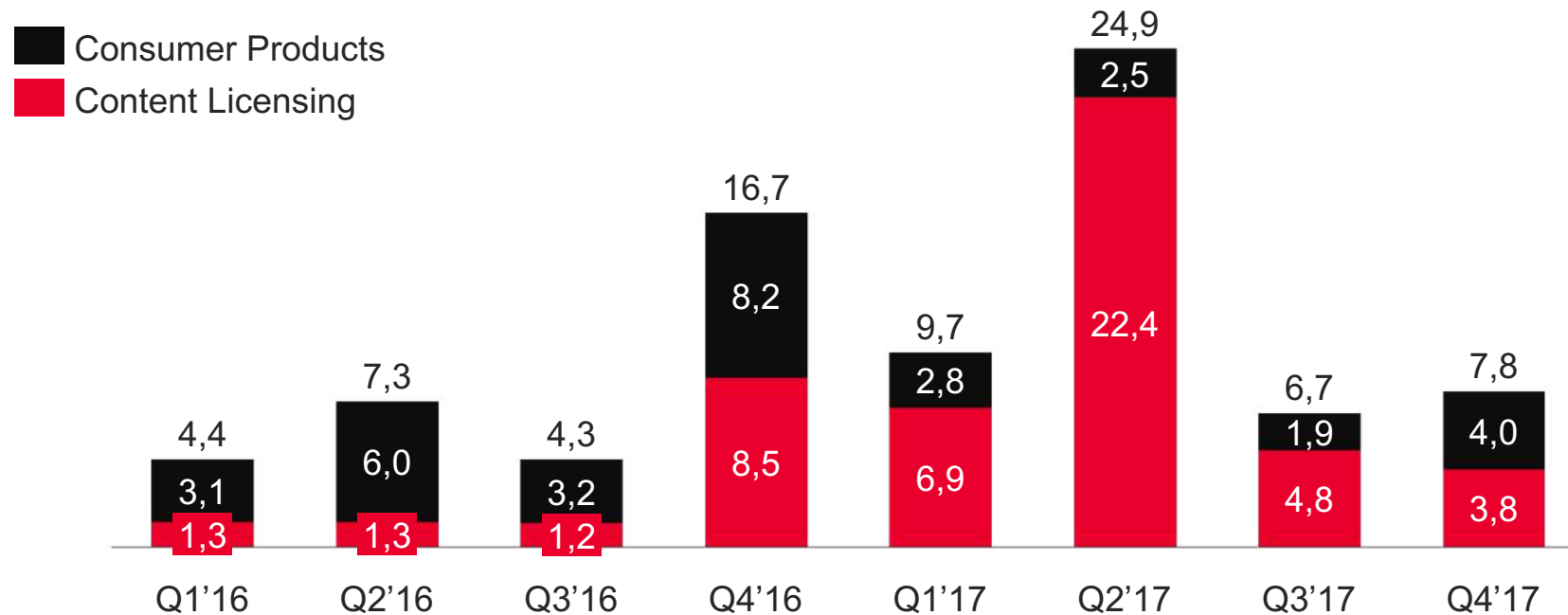


**Net gearing ratio (%)**



# The Angry Birds Movie grew Brand Licensing revenues

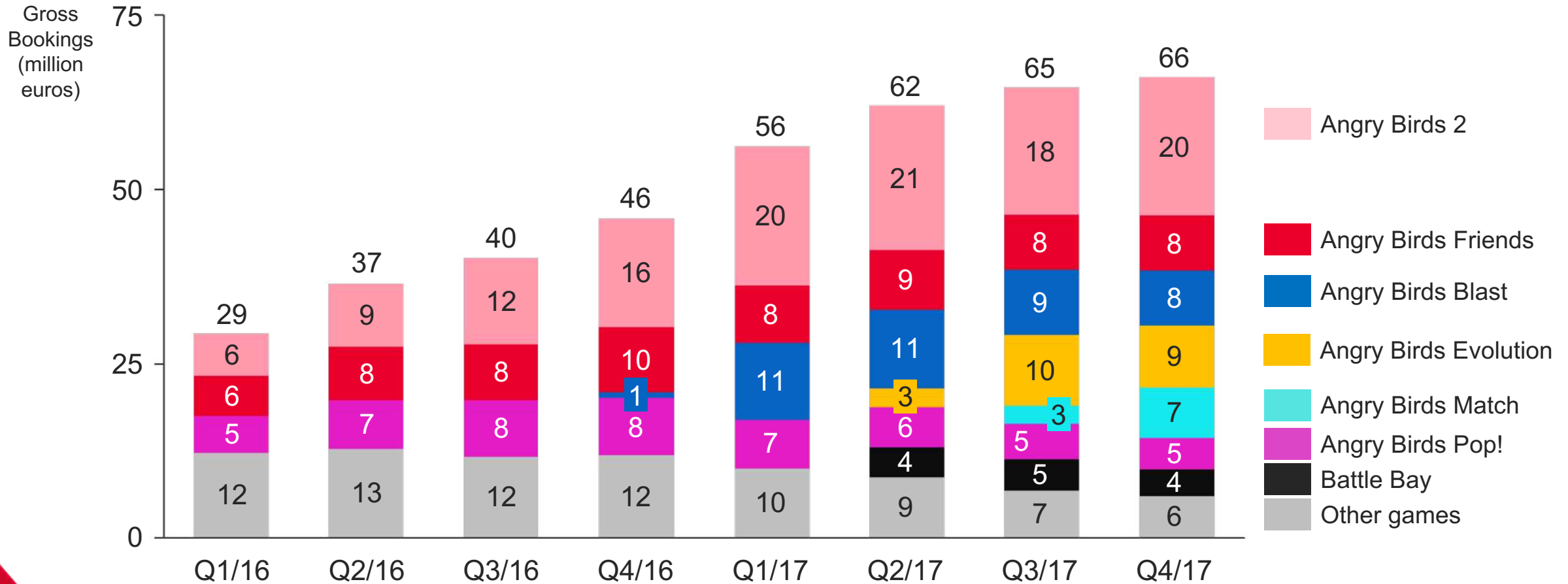
## Brand licensing segment revenue (million euros)



- Consumer products business is seasonal
- The revenues from the movie will be significantly lower in 2018

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# Development of Games gross bookings



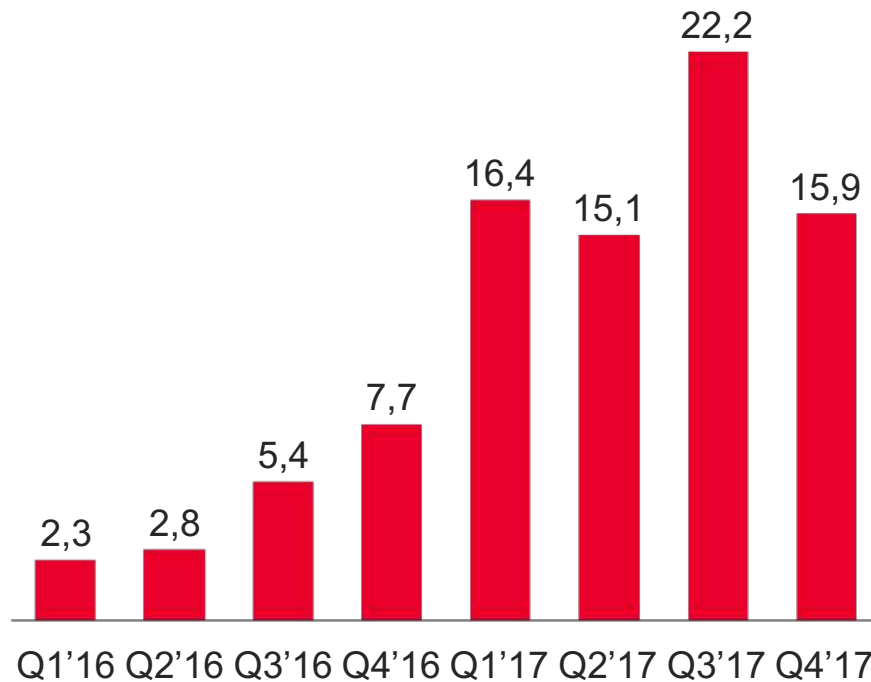
## Growth drivers:

- Angry Birds 2 strong development, 83 % on a yearly level
- Newest games Angry Birds Blast, Battle Bay, Angry Birds Evolution and Angry Birds Match

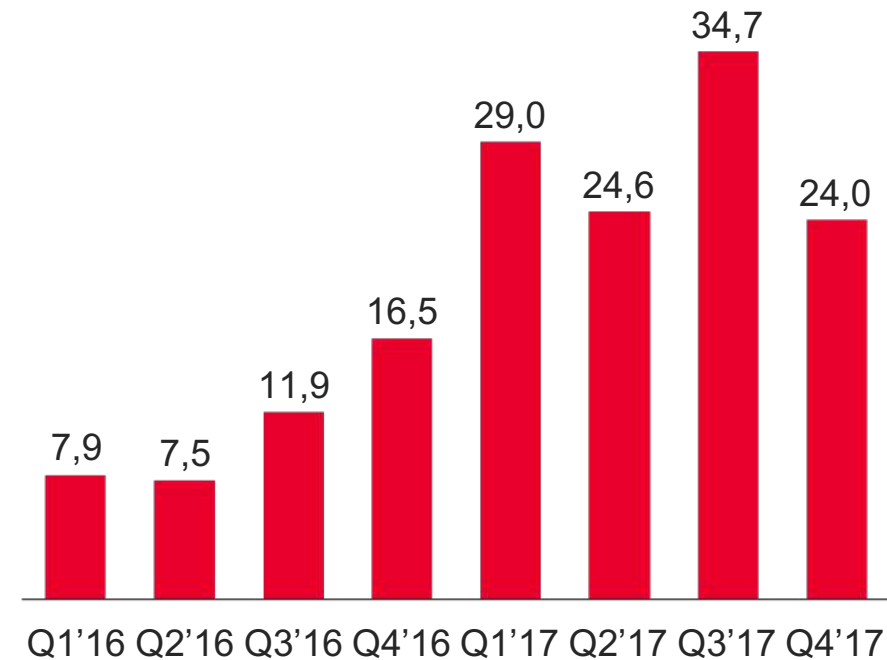


# User acquisition investments

**User acquisition investments  
(million euros)**



**User acquisition investments share  
of total games revenues (%)**



- Improved monetization enabled increasing user acquisition investments in key games
- In Q3/2017, user acquisition investments increased due to launch of Angry Birds Match

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# User acquisition and 2017 year end

- User acquisition unit costs in the market grew faster than the development of monetization in Rovio's key games
- It was thus not possible to increase user acquisition as planned and, therefore, also revenue growth slowed down
- Rovio's holiday season sales was successful, even though the user acquisition investments were lower than planned

# **ROVIO 2018 AND NEXT FEW YEARS**

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# Outlook for 2018 (published 22<sup>nd</sup> Feb 2018)

## 2018 Outlook

Rovio Group revenue is expected to be 260-300 million euros in 2018 (297 million euros in 2017).

Rovio's profitability as measured by earnings before interest and tax excluding items affecting comparability is expected to be 9 to 11 percent (10.6 percent in 2017).

# We continue to execute our strategy

## Grow Games business

Improve existing key games

Develop new games

## Explore the future of gaming

Hatch

Investigate opportunities in new technologies and platforms (ie. augmented reality and virtual reality)

## Leverage strong consolidation platform

Continue screening and evaluation

Prime focus on free-to-play mobile games

## Grow the Angry Birds brand and Licensing business

Build licensing program, e.g. for Angry Birds Movies sequel in 2019

# 2018 Focus

## Improving monetization of existing games and optimization of user acquisitions



**Player life-time-value  
(LTV)**

- Improve player retention
- Improve monetization



**Cost-per-install  
(CPI)**

- Optimize marketing channels in user acquisition
- Brand visibility

# Game-as-a-service:

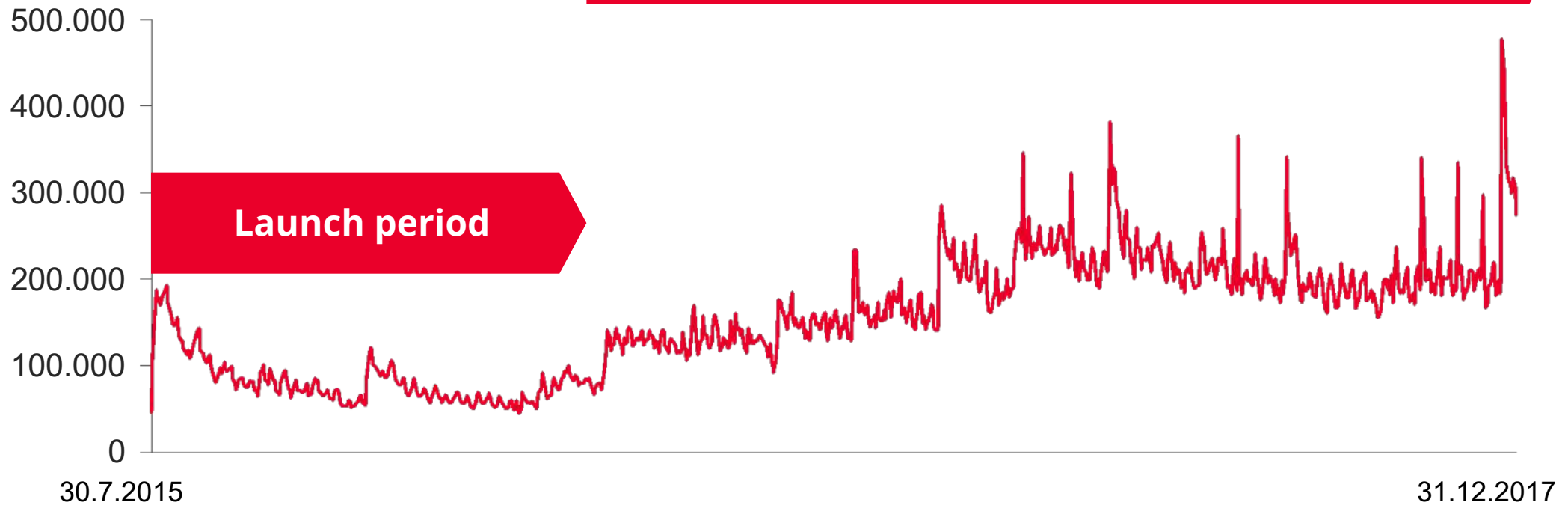


Angry Birds 2  
Gross bookings per  
day (EUR)

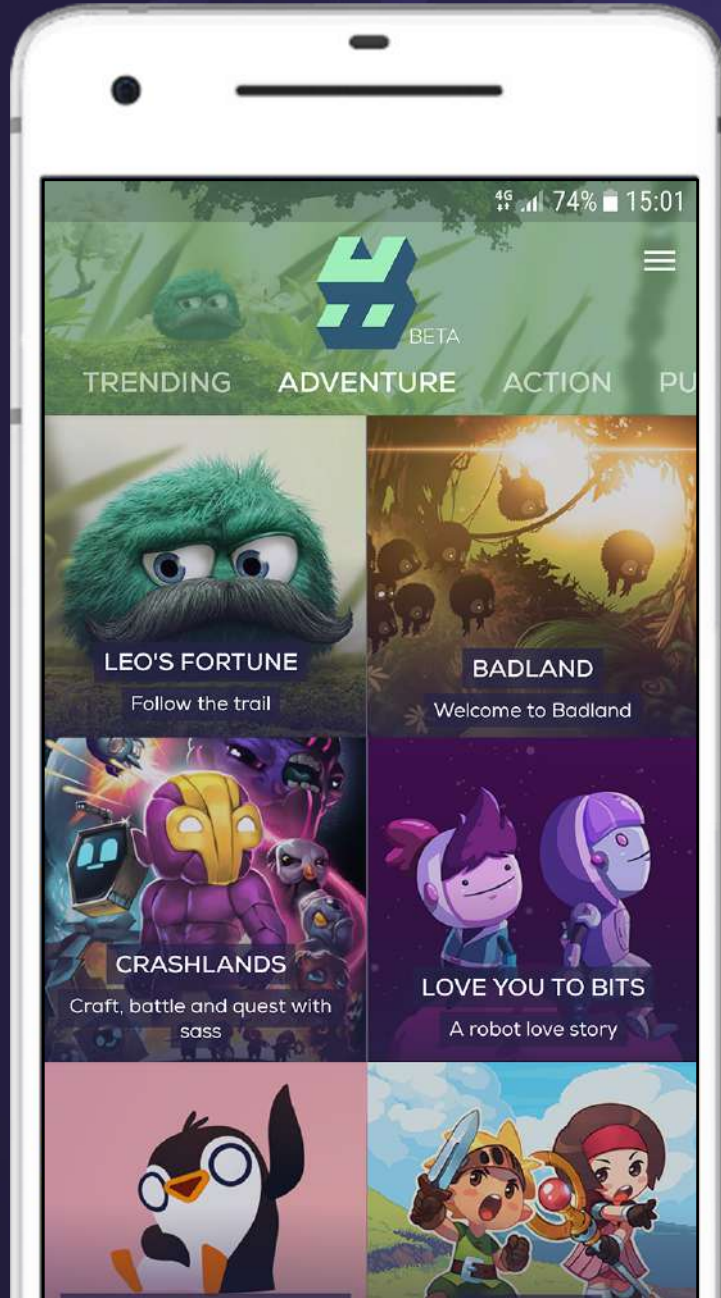
Events

Game updates (new features and content)

Launch period



# HATCH – GAME STREAMING SERVICE



## INSTANT PLAY

Hatch offers joy of play instantly without downloads and installations

## BEST GAMES

Broad offering of best premium-games. Platform open to all developers and publishers

## SOCIAL

Play together any game, share game play and compete with others

**MONETIZATION** Ads and monthly subscription

## GLOBAL MEGATRENDS

Streaming entertainment and monthly subscription based services  
Real-time and social gaming  
Rise of cloud based services  
Fast mobile networks and 5G

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# WIDE PARTNER NETWORK



# THE ANGRY 2 BIRDS MOVIE

**PLANNED FOR SEPTEMBER 2019**

# Responsible gaming

- All Angry Birds games are suitable for all age groups, although games are being designed and targeted to mainly adults.
- Rovio is participating to an EU Alliance to better protect minors online. The Alliance is a self-regulatory initiative aiming to improve the online environment for children and young people.
- Rovio is also in co-operation with UNICEF, focusing for example on children's rights and data protection issues.

# SUMMARY

# Summary

- 2017 was the best year in the history of Rovio as measured by revenues. Our business is on very healthy foundation
- 2018 focus is on improving monetization of existing games and optimizing user acquisition
- Rovio's strategy is to seek further growth from its existing games portfolio, complementing it through developing new games and also through possible acquisitions
- Rovio also investigates opportunities in the future of gaming