

# Games: Our unique approach to drive growth

**Alexandre Pelletier-Normand, Head of Games**



# Agenda

**01**

**Games overview**

**02**

**Our unique approach to drive organic growth**

- Diversified portfolio
- User Acquisition
- Genre mastery
- Live operations

**03**

**M&A enabling additional growth**

**04**

**Summary**



# Who are we?

349

Games  
Employees

3

Studios

11

# of live  
games <sup>1)</sup>

2

# of games  
in Top 100 <sup>2)</sup>

9

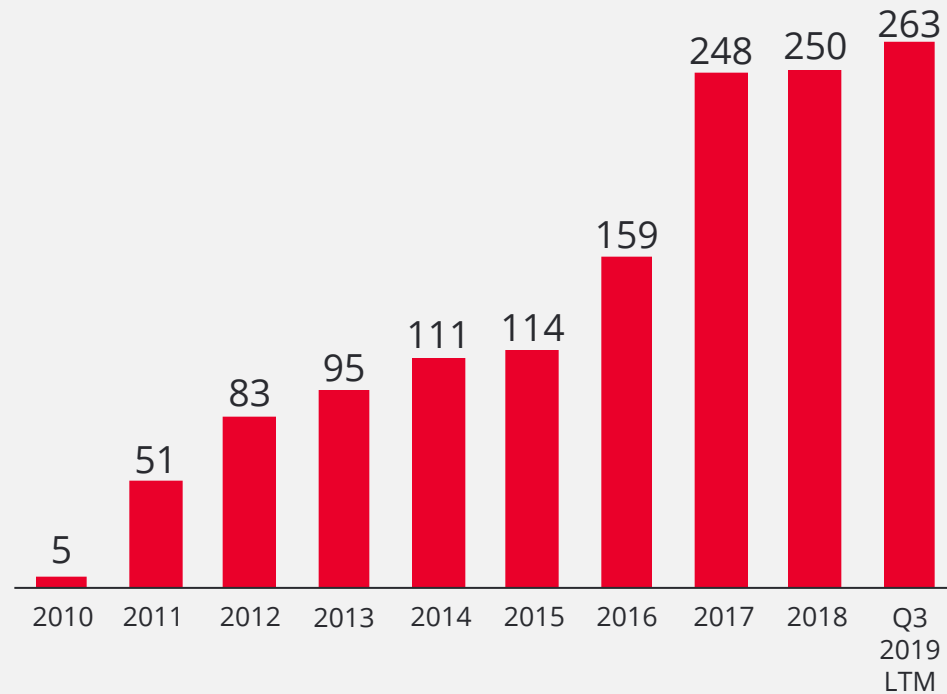
# of new  
games in  
development

Note: 1) Games which have normal or lean live ops (e.g. events) 2) Top grossing games in the US on iPhone in Q3 2019  
Source: Rovio, App Annie

# Growing games business with diversified portfolio

## Constantly growing Games business...

Games revenue (EUR in million)



## ...with diversified mobile game portfolio

Games revenue per game Q3 2019 (EUR in million)

■ Q3 2019 grossing rank in the US<sup>1)</sup>

Catalogue

15%

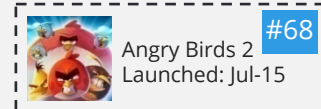
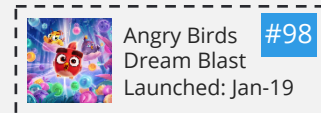
Grow

28%

€65.2M

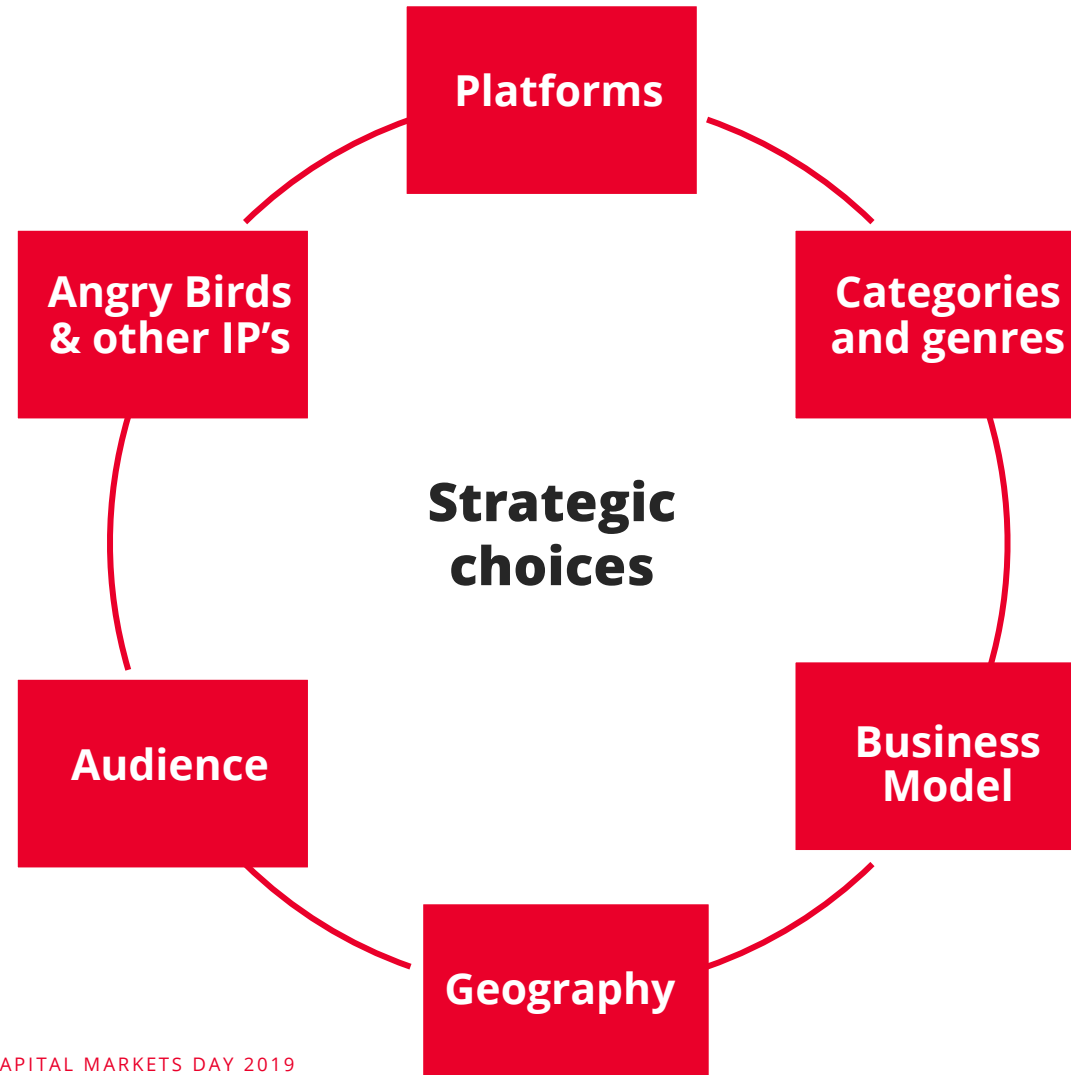
57%

Earn

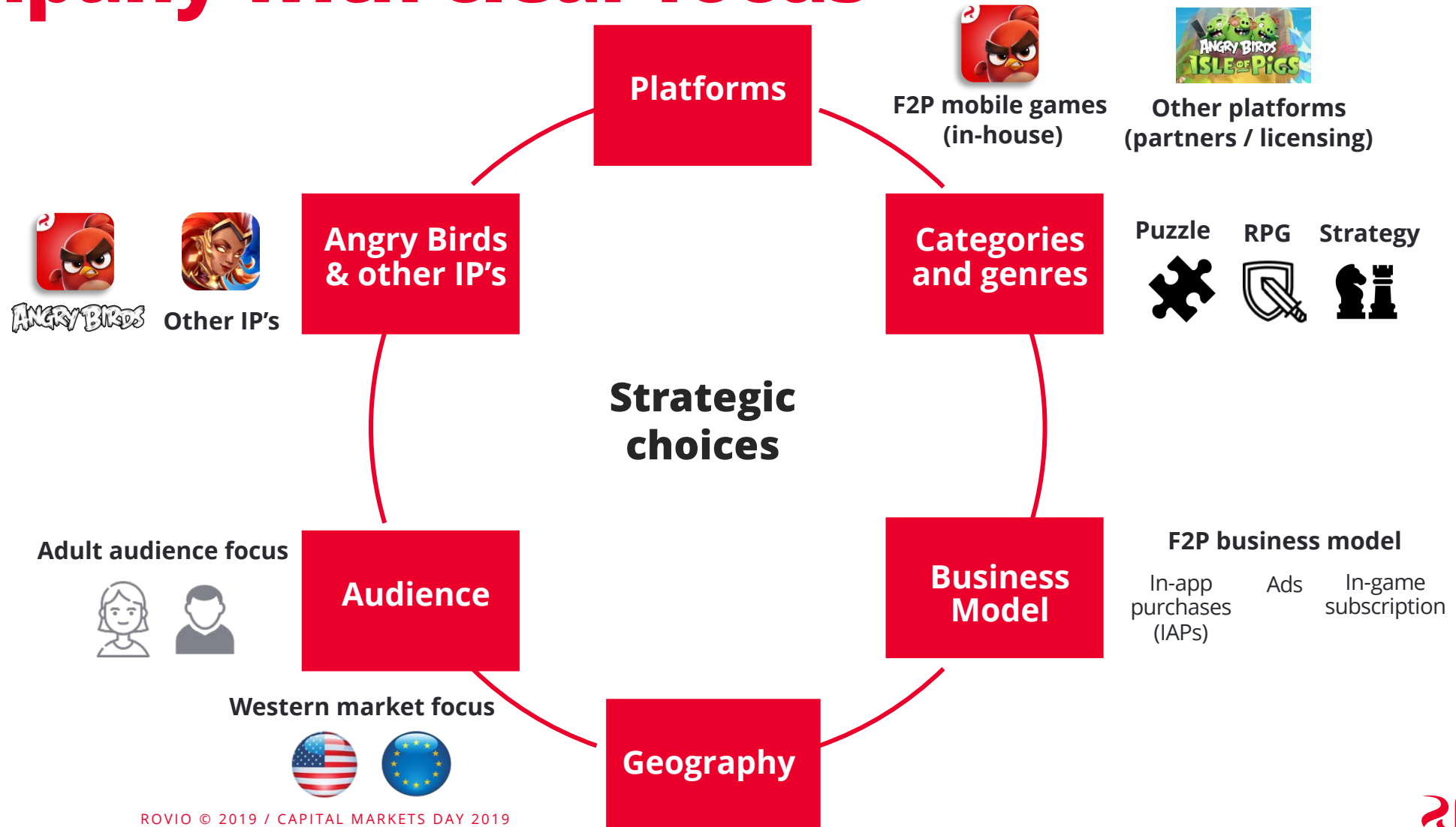


Note: 1) Top grossing games in the US on iPhone

# We are Free-to-Play (F2P) mobile gaming company with clear focus



# We are Free-to-Play (F2P) mobile gaming company with clear focus



Technology

Angry  
Birds  
brand

## Studios

Business  
Intelligence

Marketing  
& UA

Team

Team

**1. Puzzle**

**2. Battle**

Business  
Development

Finance

Team

Team

Team

Team

ADS

M&A

Team

HR

IT

**3. RPG**

Team

Team

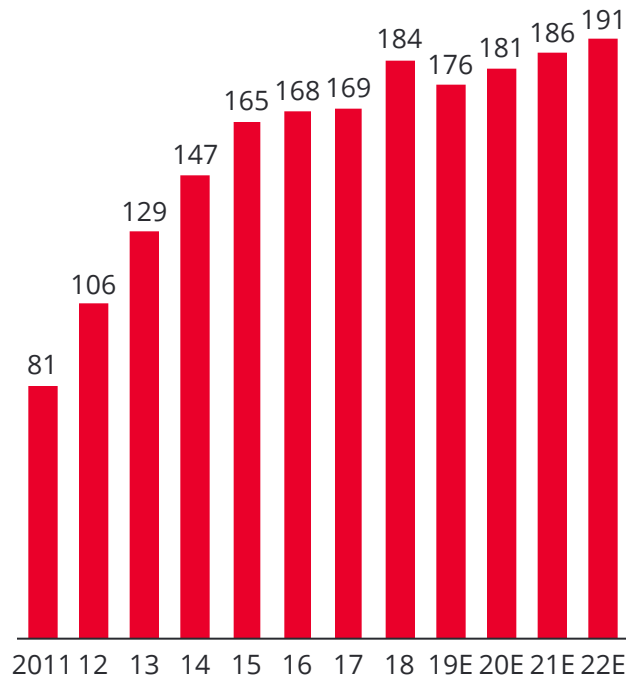
Legal



# Mobile gaming competition is getting tougher

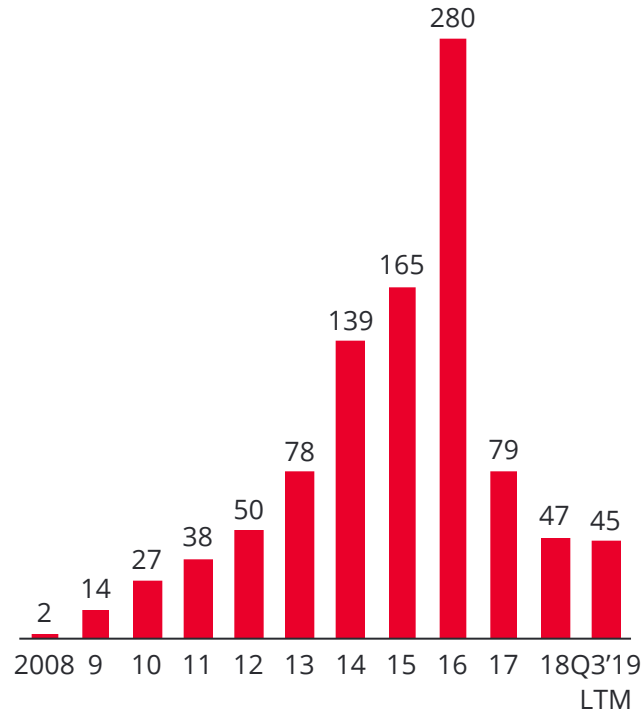
## Number of mobile gamers stabilizing in western market

Number of mobile gamers in the US (in millions)



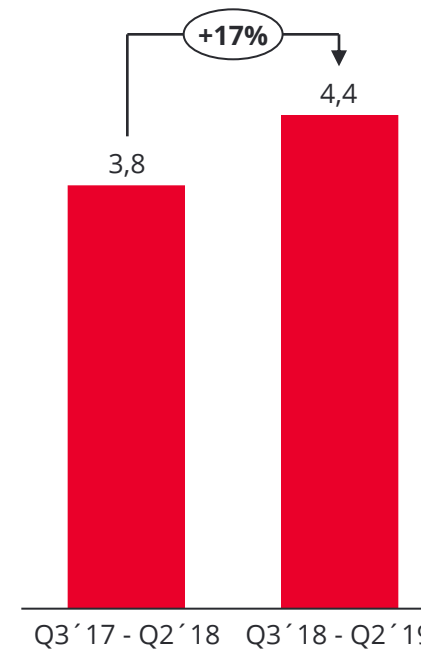
## Fewer games launching on mobile

Games submissions on Apple App Store (in thousands)



## CPI increasing

Average CPI on iOS and Google Play (USD)<sup>1)</sup>

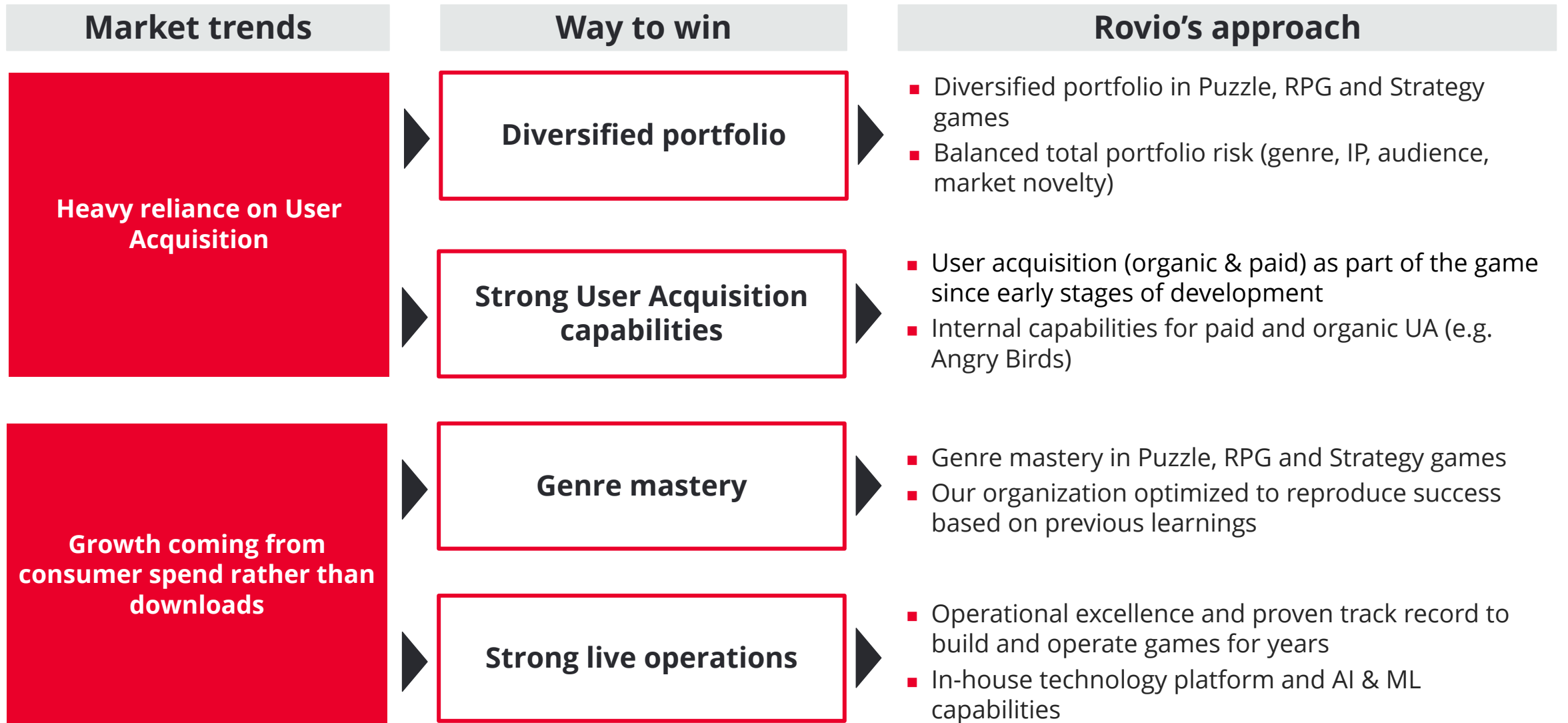


## Players play only few games

**4**  
Average number of mobile games average player plays per month

Note: 1) Liftoff's 2019 Mobile Gaming Apps Report based on 555 total apps, 81.8M installs and 1.6B clicks between June 2018 - May 2019  
Source: App Annie, eMarketer, IDC, Liftoff, Newzoo, Pocket Gamer, Rovio

# Market trends and way to win



# Our organic and inorganic growth strategy

## Organic growth

Diversified portfolio

User Acquisition

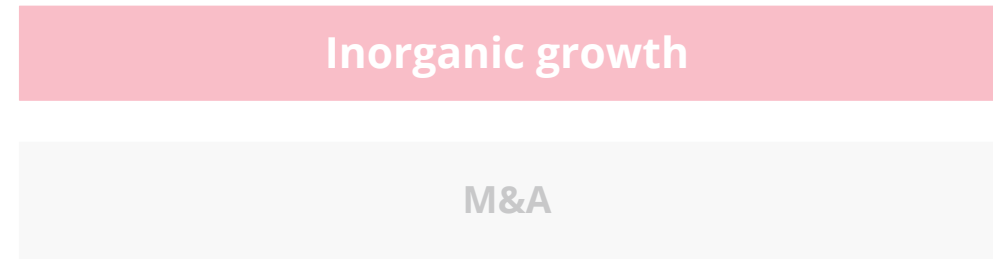
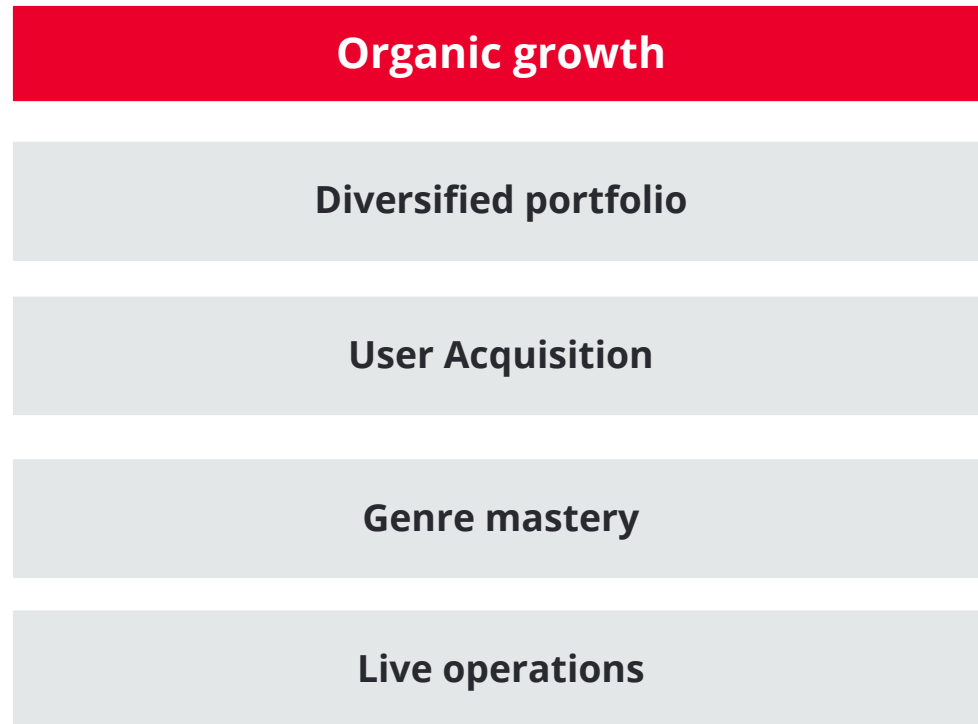
Genre mastery

Live operations

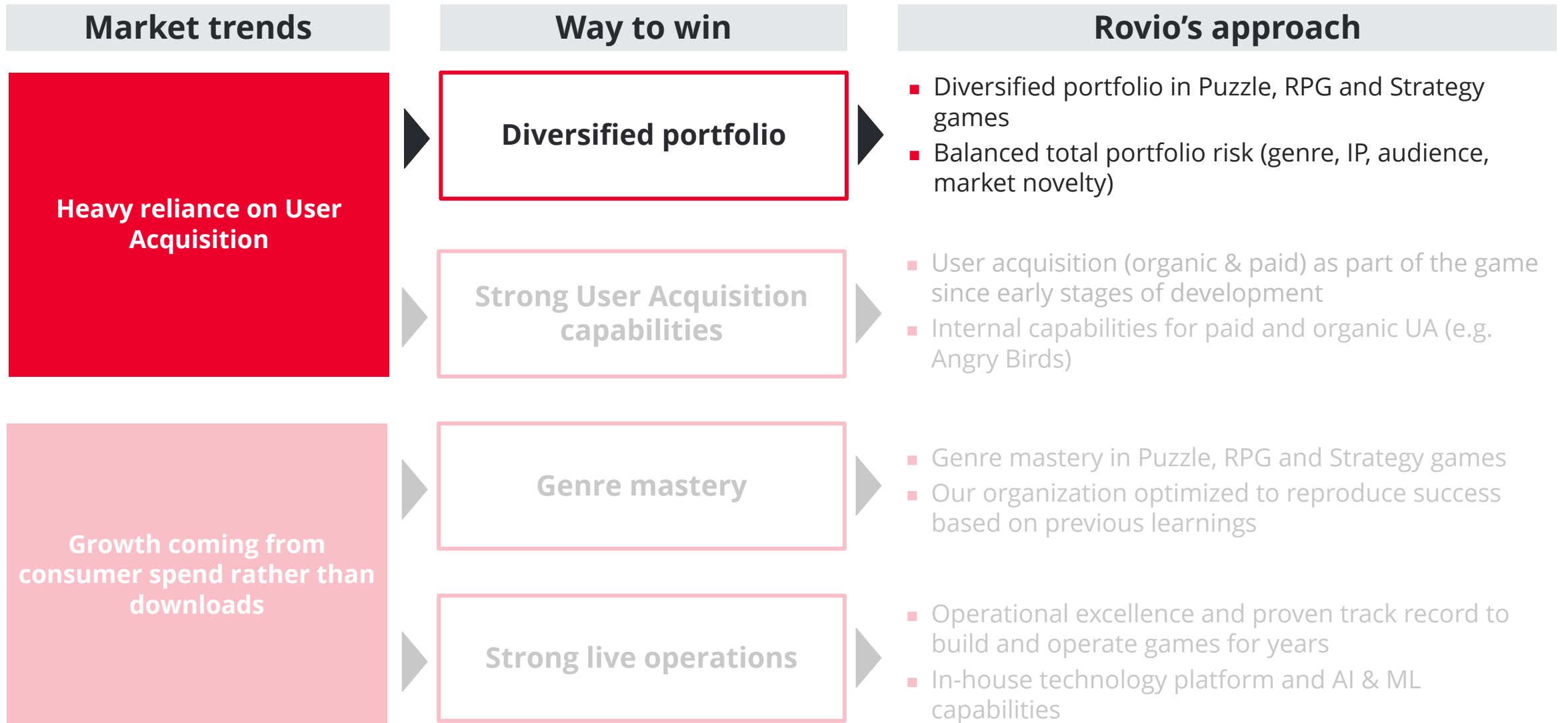
## Inorganic growth

M&A

# Organic growth is our main focus, let's cover that first



# Market trends and way to win



# How to create diversified portfolio

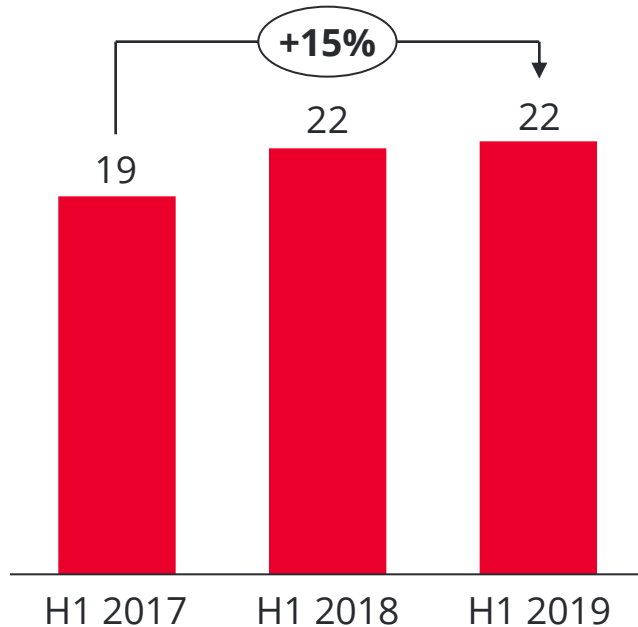
**Michail Katkoff, Head of Battle Studio**



# Global Games Downloads, Consumer Spend and Engagement Continue to Climb

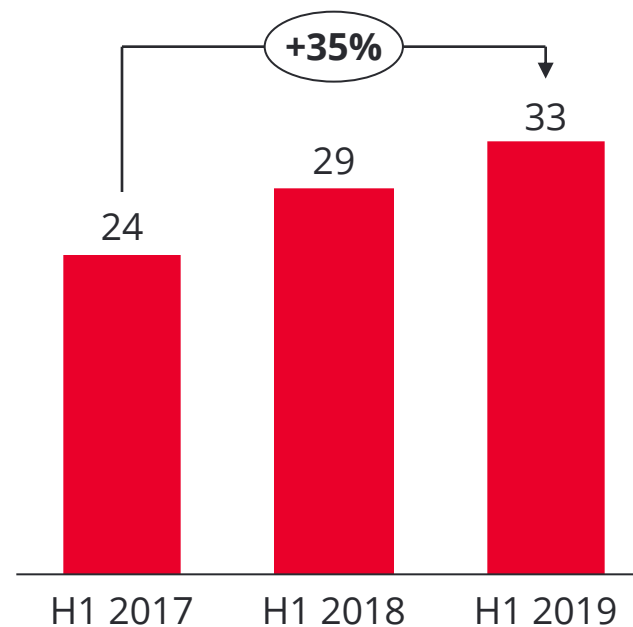
## Global games downloads

Global downloads on iOS and Google Play<sup>1)</sup>  
(Billions)



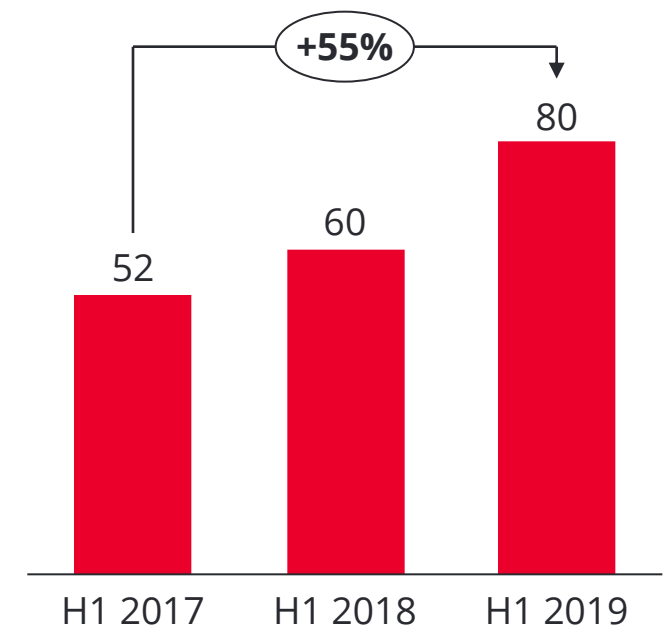
## Global games consumer spend

Global consumer spend on iOS and Google Play<sup>2)</sup>  
(USD in bn)



## Global games time spent

Global games time spent on Android phone<sup>3)</sup>  
(Hours in bn)

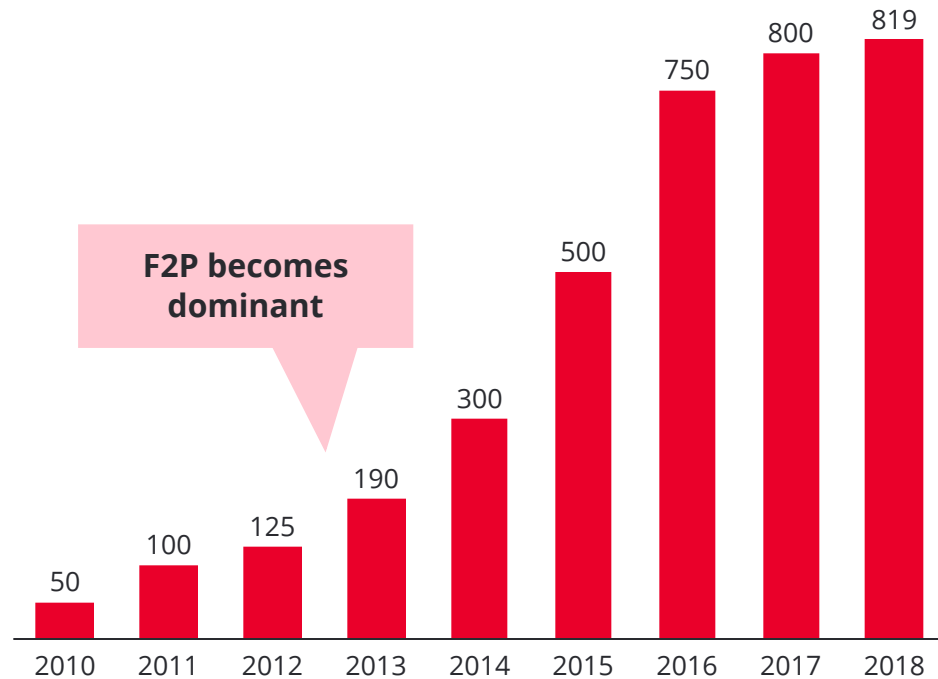


Note: 1) iOS only for China 2) iOS only for China 3) Excluding China  
Source: App Annie

# However, the amount of games in the market has stabilized since 2016 due to drop in the amount of games entering the market

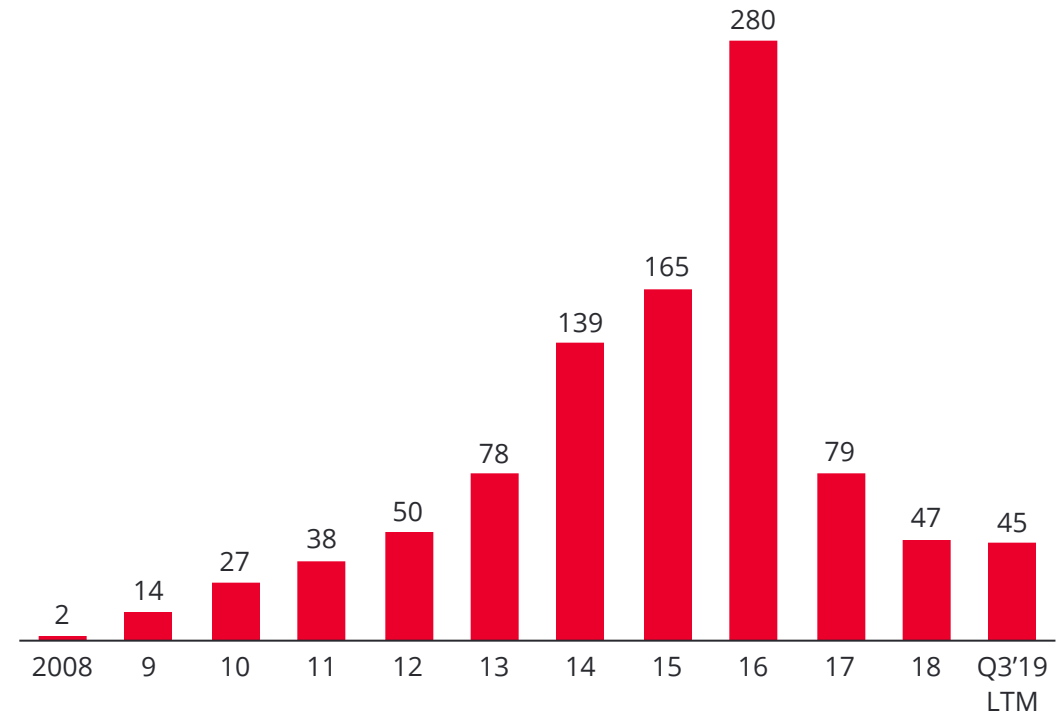
## Amount of games has stabilized

Number of Games in Apple App Store  
(in thousands)



## Fewer games launching on mobile

Games submissions on Apple App Store  
(in thousands)





# The top is getting wider creating more revenue opportunities

**65%**

Top 100 Grossing account of overall Games' IAP revenue in the US on iOS + Google Play

Number of Games that generated more than \$25M in IAP revenue (US + key Western markets)

**62** in 2016

**85** in 2018

**107** in Q1-Q3 2019

# How the top is evolving...

**55%**

of Games in US Top 50 Games (iOS & GP) by consumer spend have been there since January 2017.

**9** months

is the average time it took for new games to reach US Top 100 Games (iOS & GP) by consumer spend after launching globally.

**28**

Games entered US Top 100 Games (iOS & GP) by consumer spend between H2 2018 and H1 2019

# ...and Rovio is among Top 20 Publishers

# 19

Companies that have more than one game in the US Top 200 Games (iOS & GP) by consumer spend



## Angry Birds 2

Global launch July 2015

52 Months in Top 100 US

0 Months to reach Top 100 US



## Angry Birds Dream Blast

Global launch January 2019

5 Months in Top 100 US

6 Months to reach Top 100 US

Note: Top 100 US refers to US Top 100 iPhone games by consumer spend  
Source: App Annie, Rovio

**How do we identify  
opportunities and succeed  
in the market?**

# The Mobile Market – Q3 2019 LTM



## CASUAL

- \$7.4B in (IAP) net revenues
- \$1.9B in Ad Revenues
- YoY Revenues +24%
- 37% of all IAP revenues
- 63% of all installs



## MID-CORE

- \$9.2B in (IAP) net revenues
- YoY Revenues +21%
- 46% of all IAP revenues
- 23% of all installs



## CASINO

- \$2.5B in (IAP) net revenues
- YoY Revenues +17%
- 12% of all IAP revenues
- 2% of all installs



## SPORTS

- \$0.9B in (IAP) net revenues
- YoY Revenues +6%
- 5% of all IAP revenues
- 12% of all installs

# The Mobile Market – Q3 2019 LTM



## CASUAL

- \$7.4B in (IAP) net revenues
- \$1.9B in Ad Revenues
- YoY Revenues +24%
- 37% of all IAP revenues
- 63% of all installs



## MID-CORE

- \$9.2B in (IAP) net revenues
- YoY Revenues +21%
- 46% of all IAP revenues
- 23% of all installs



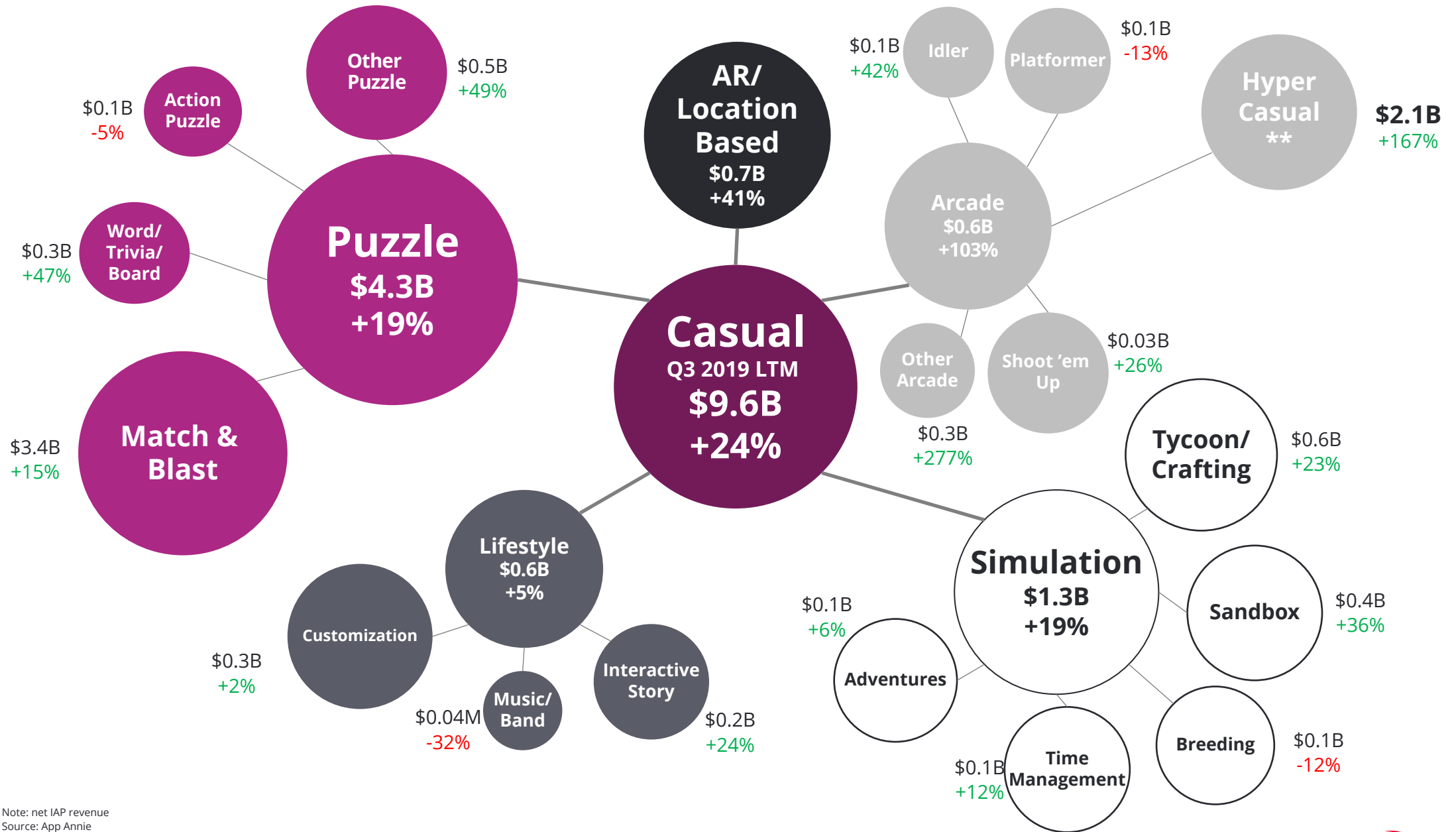
## CASINO

- \$2.5B in (IAP) net revenues
- YoY Revenues +17%
- 12% of all IAP revenues
- 2% of all installs

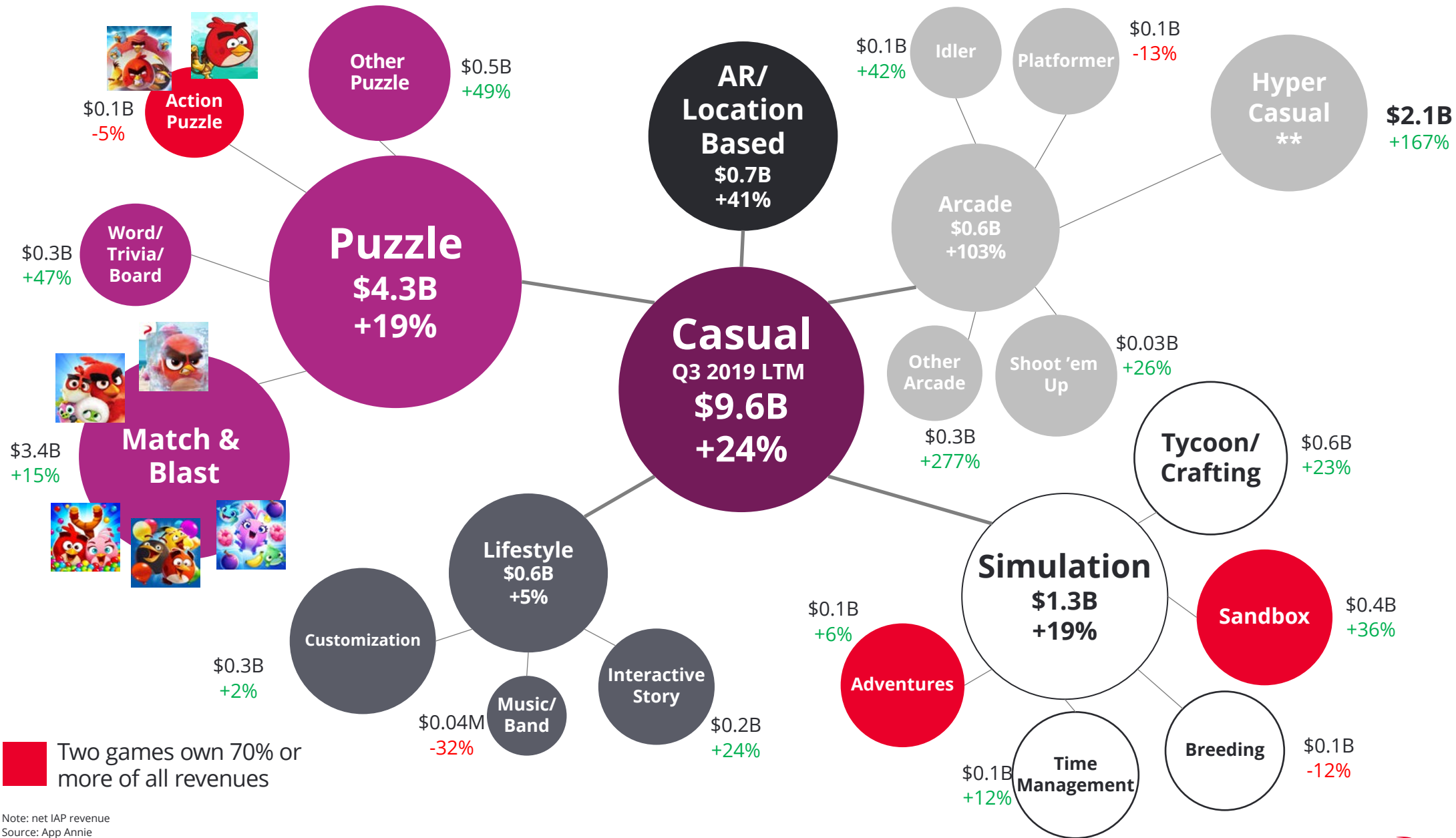


## SPORTS

- \$0.9B in (IAP) net revenues
- YoY Revenues +6%
- 5% of all IAP revenues
- 12% of all installs



Note: net IAP revenue  
Source: App Annie

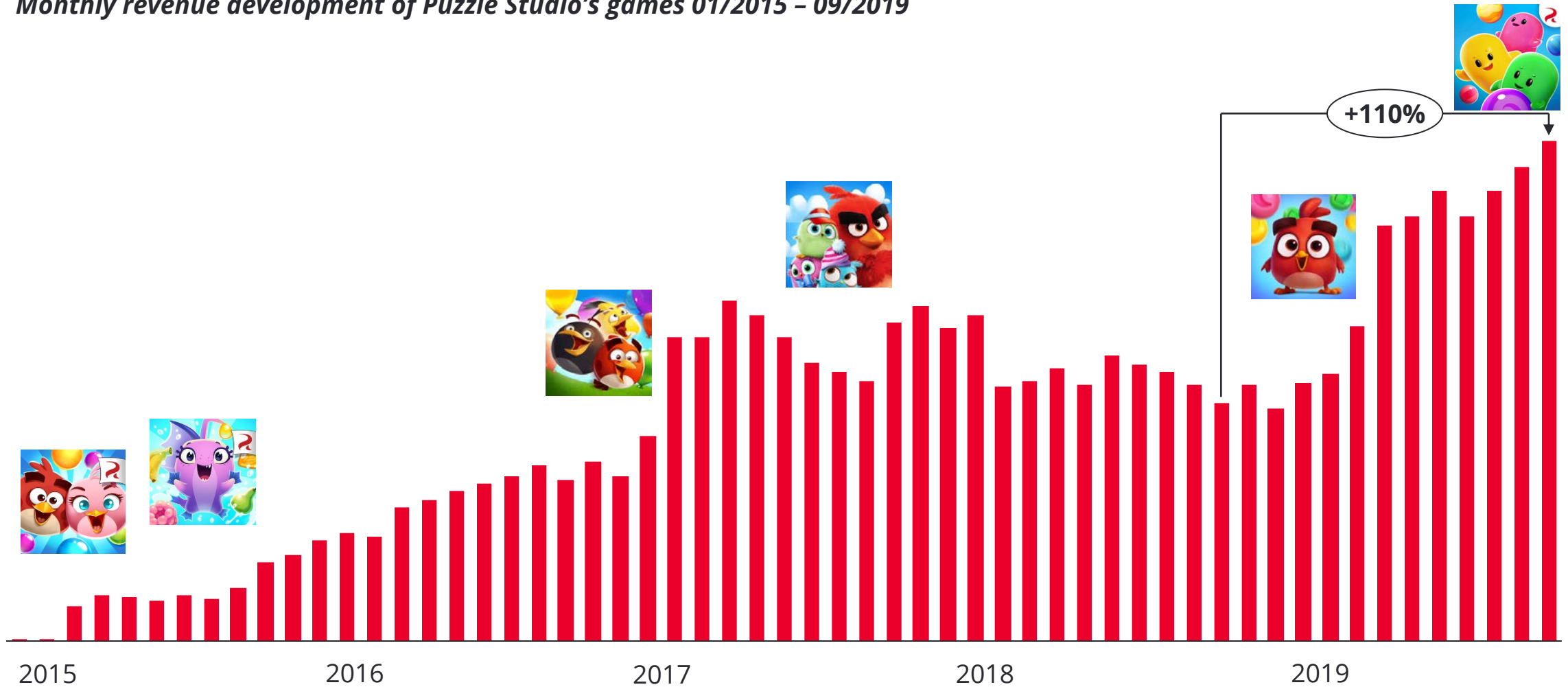


Note: net IAP revenue  
Source: App Annie



# Growing revenues

Monthly revenue development of Puzzle Studio's games 01/2015 - 09/2019



# How do we identify new opportunities?

# The Mobile Market – Q3 2019 LTM



## CASUAL

- \$7.4B in (IAP) net revenues
- \$1.9B in Ad Revenues
- YoY Revenues +24%
- 37% of all IAP revenues
- 63% of all installs



## MID-CORE

- \$9.2B in (IAP) net revenues
- YoY Revenues +21%
- 46% of all IAP revenues
- 23% of all installs



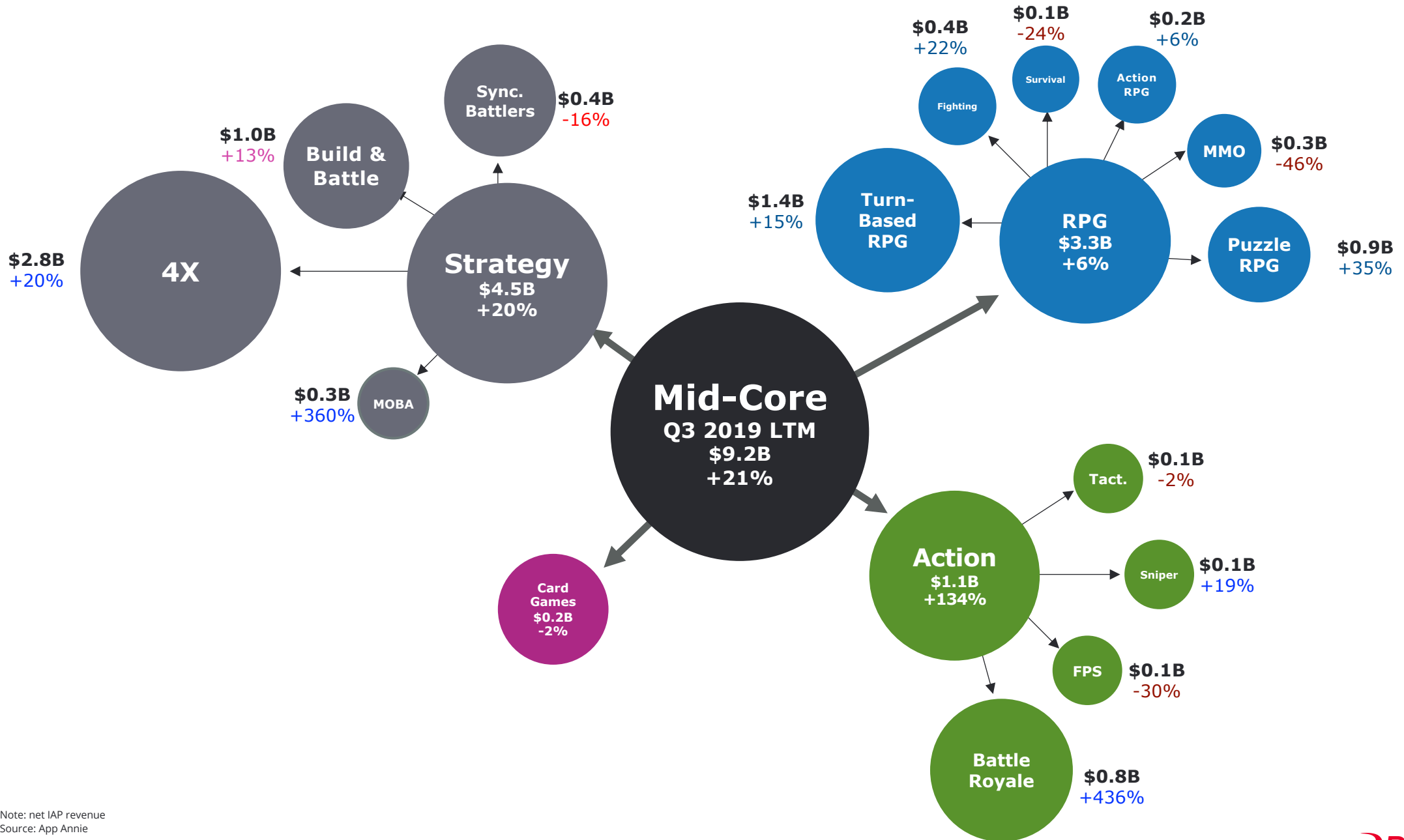
## CASINO

- \$2.5B in (IAP) net revenues
- YoY Revenues +17%
- 12% of all IAP revenues
- 2% of all installs

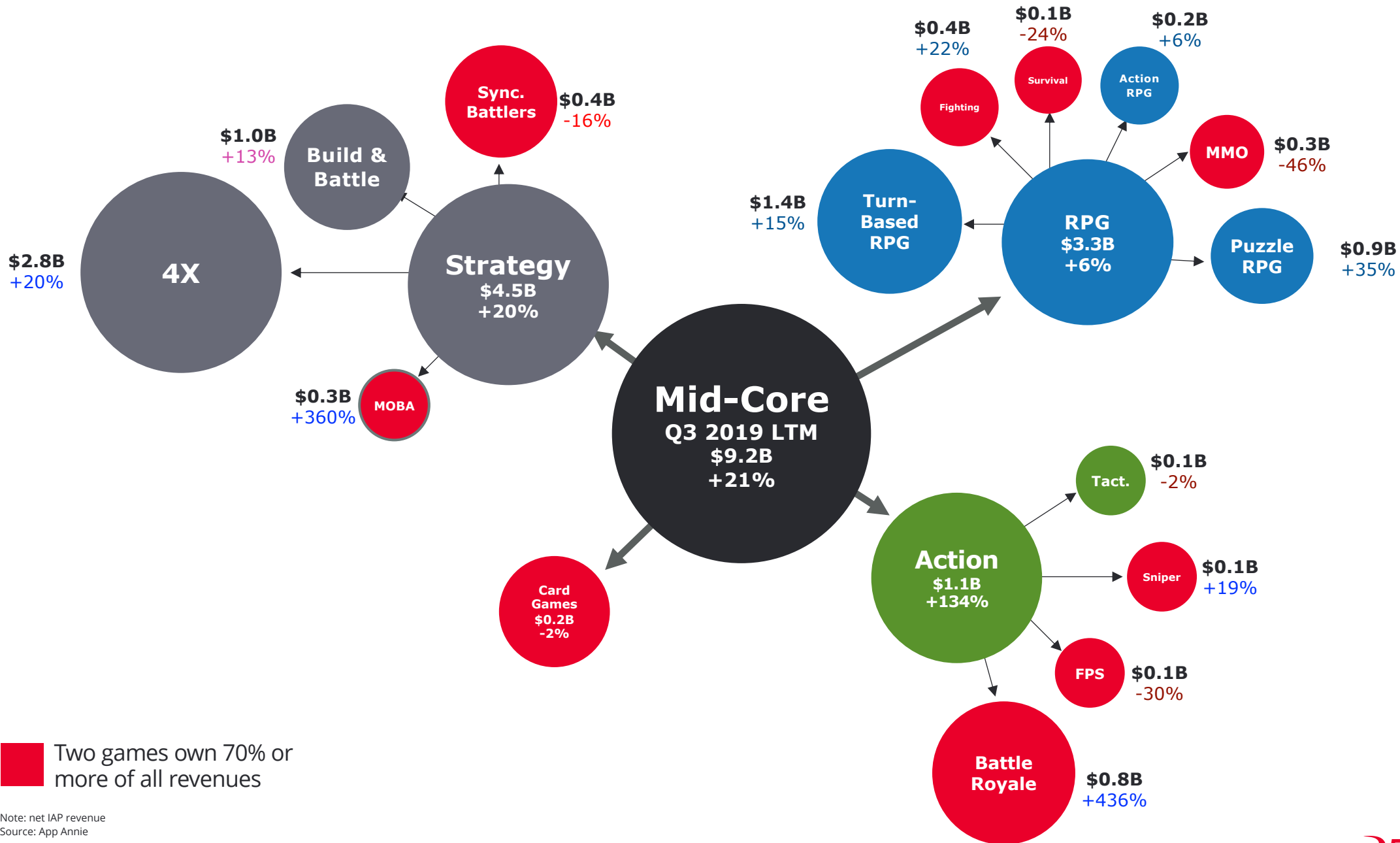


## SPORTS

- \$0.9B in (IAP) net revenues
- YoY Revenues +6%
- 5% of all IAP revenues
- 12% of all installs

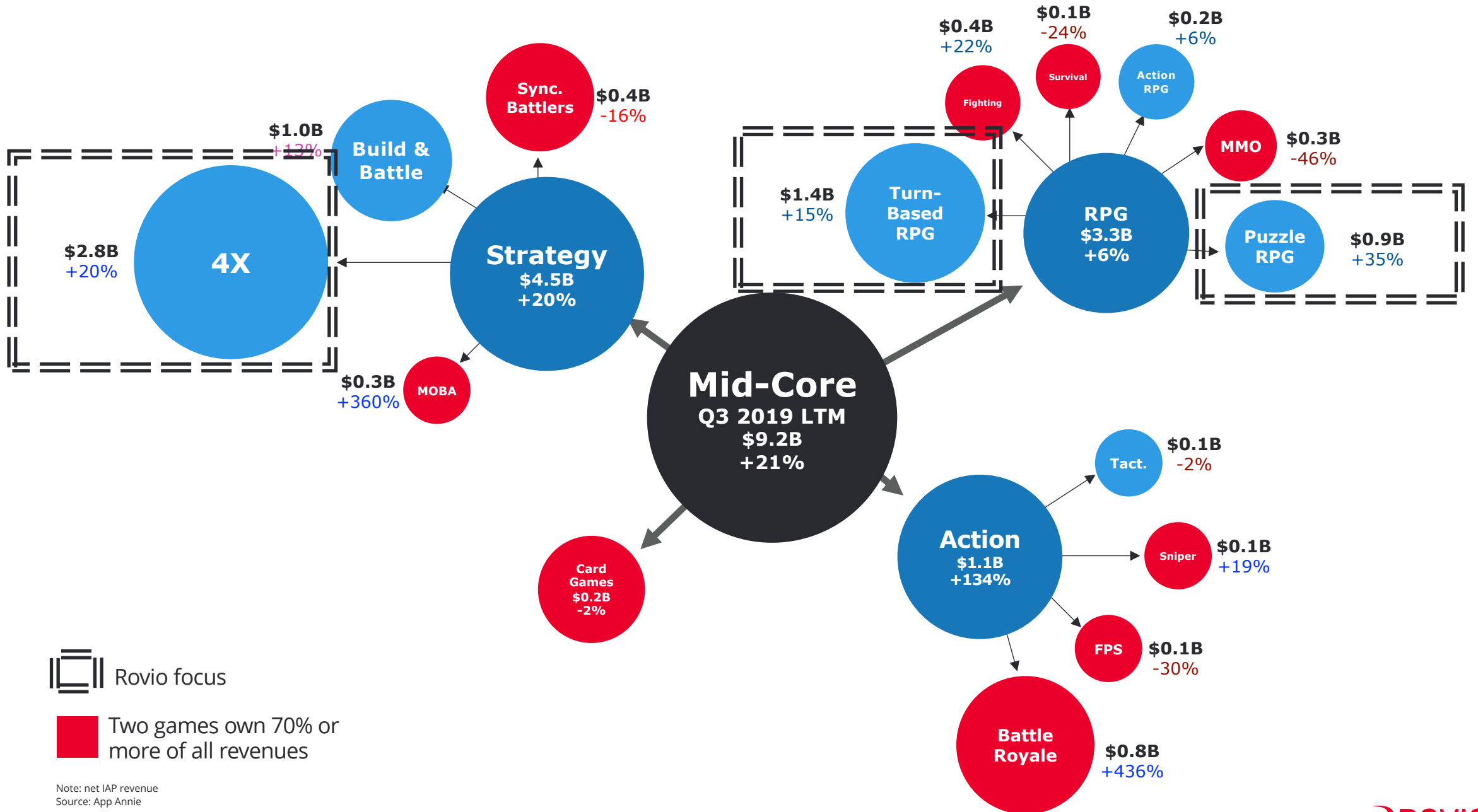



Note: net IAP revenue  
Source: App Annie



Two games own 70% or more of all revenues

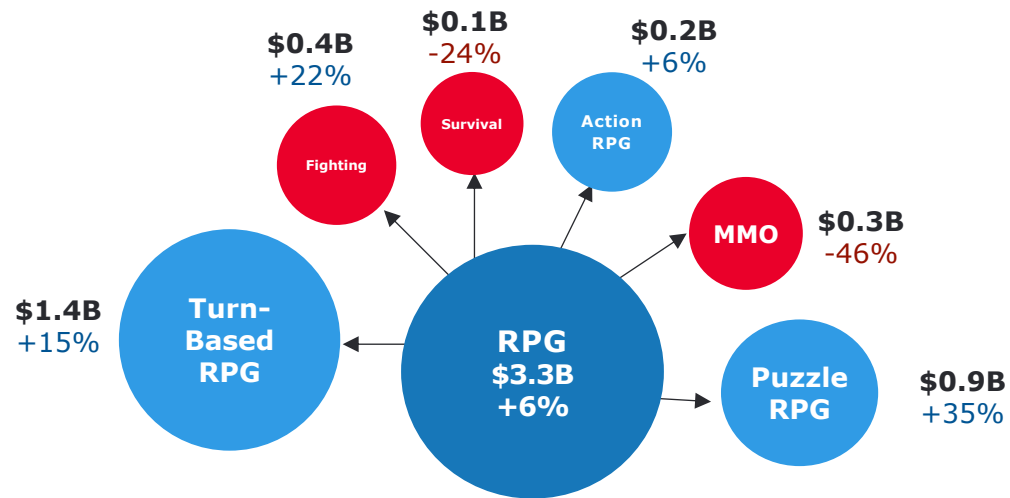
Note: net IAP revenue  
Source: App Annie



 Two games own 70% or more of all revenues

Note: net IAP revenue  
Source: App Annie

# #1 Target Genre: RPG Games

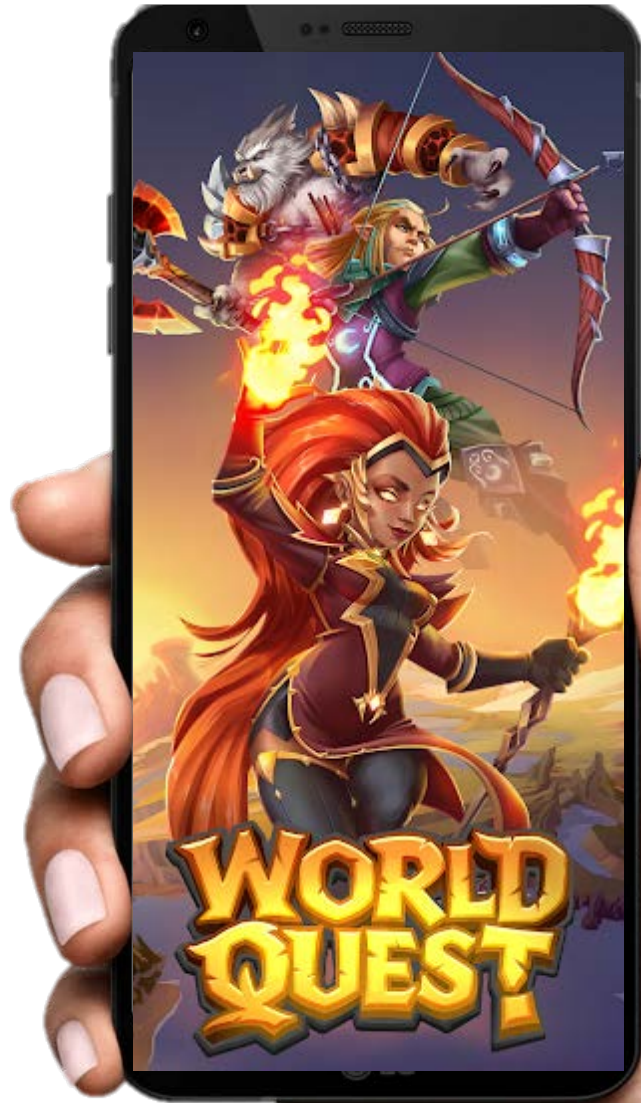


RPG genre is 3<sup>rd</sup> largest on mobile with plenty of potential for growth compared to Asian market.

We have the experience. Our RPG games Angry Birds Epic and Angry Birds Evolution have accumulated close to 100M installs to date.

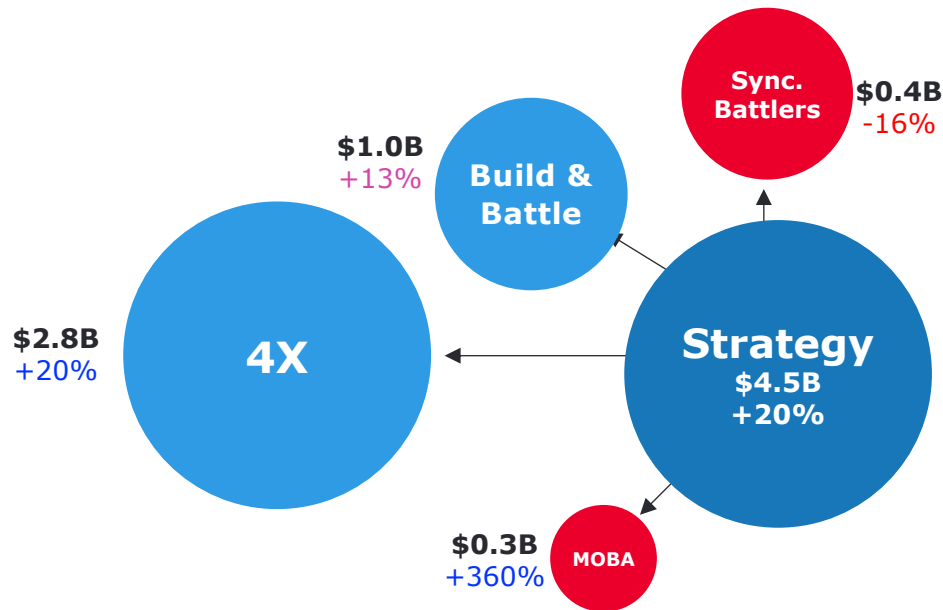
Two games own 70% or more of all revenues

Note: net IAP revenue  
Source: App Annie





# #2 Target Genre: Strategy Games



The 4X sub-genre is the second largest on mobile with a very rapid growth rate.

Strategy games are notoriously difficult to build due to technical complexity. This creates an entry barrier for many developers.

We have the technical capabilities and the genre mastery through the acquisition of PlayRaven.

Two games own 70% or more of all revenues

Note: net IAP revenue  
Source: App Annie



# In summary we focus on Puzzle, Strategy and RPG to build diversified portfolio



## CASUAL

Puzzle



We will continue to expand our presence in the casual games, focusing mainly on the largest sub-category on mobile: Puzzle games



## MID-CORE

RPG

Strategy



We will continue pushing into mid-core taking calculated shots that leverage our learnings on RPG and Strategy games.

# Our diversified games portfolio and pipeline

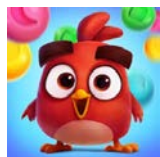
## Live portfolio

Grow

2



Sugar Blast



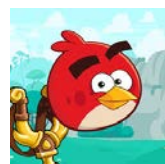
Angry Birds Dream Blast

Earn

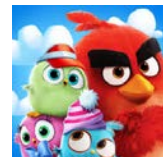
3



Angry Birds 2



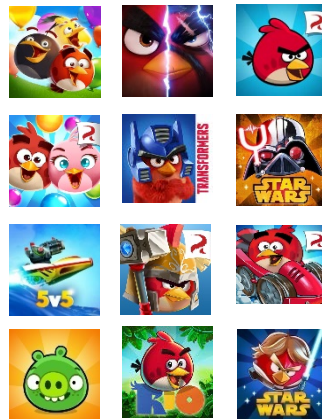
Angry Birds Friends



Angry Birds Match

Catalogue

20+



## New games in development

IP

In dev

In soft launch

Angry Birds

4

1

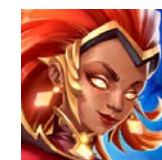


Angry Birds POP Blast

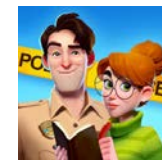
New IP

5

2



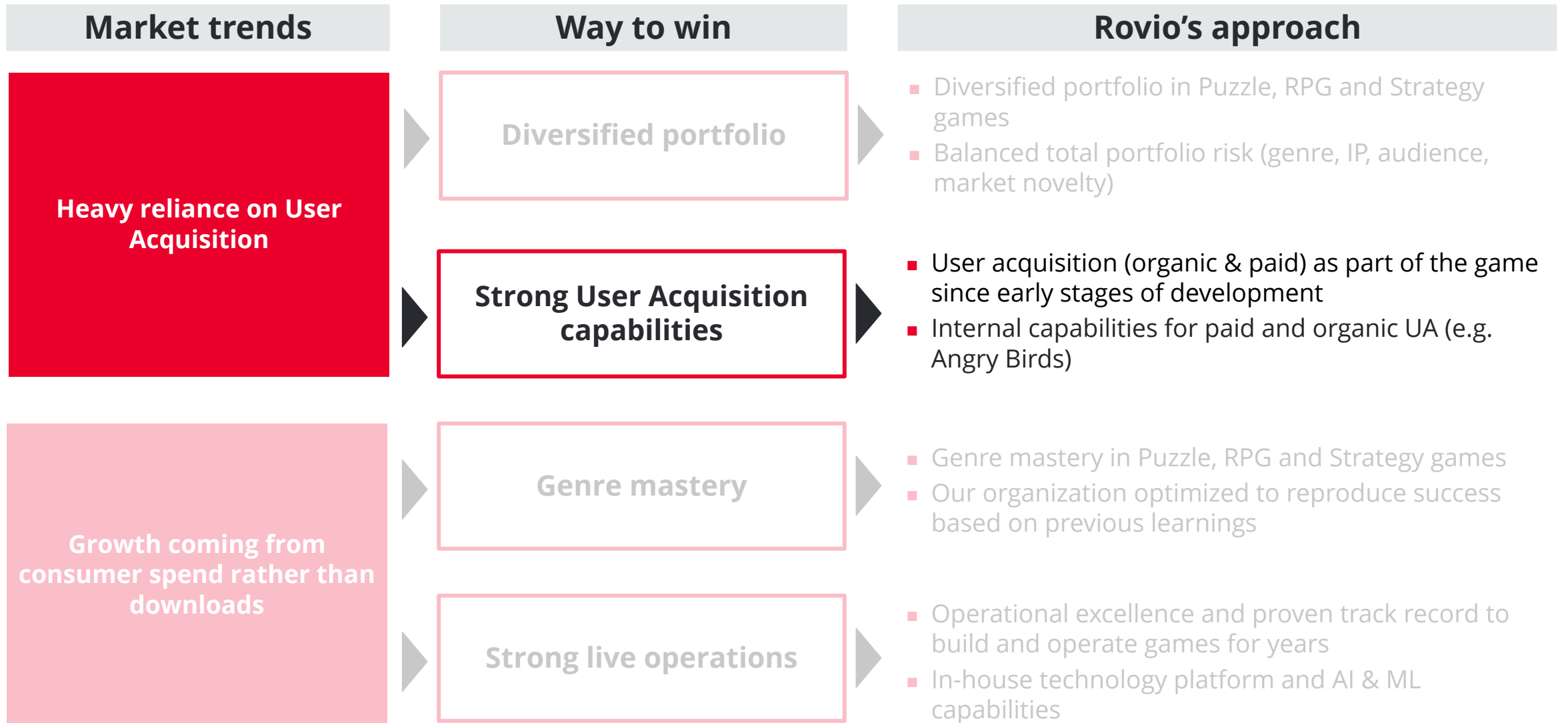
World Quest



Small Town Murders

Note: new games in development presents the situation and plan at end of Q3 2019 and is subject to change

# Market trends and way to win



# UA Strategy: Fueling the growth

**Alexandre Pelletier-Normand, Head of Games**

# User Acquisition



**Organic**



**Paid**

# Organic UA



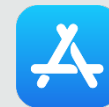
**AB 97% brand awareness**



**Cross-promotion capabilities**



**Featuring**



**Designed for UA:**  
Virality and User centricity





# Paid UA



Mainly digital

Google



ironSource

unity

Vungle

Other channels



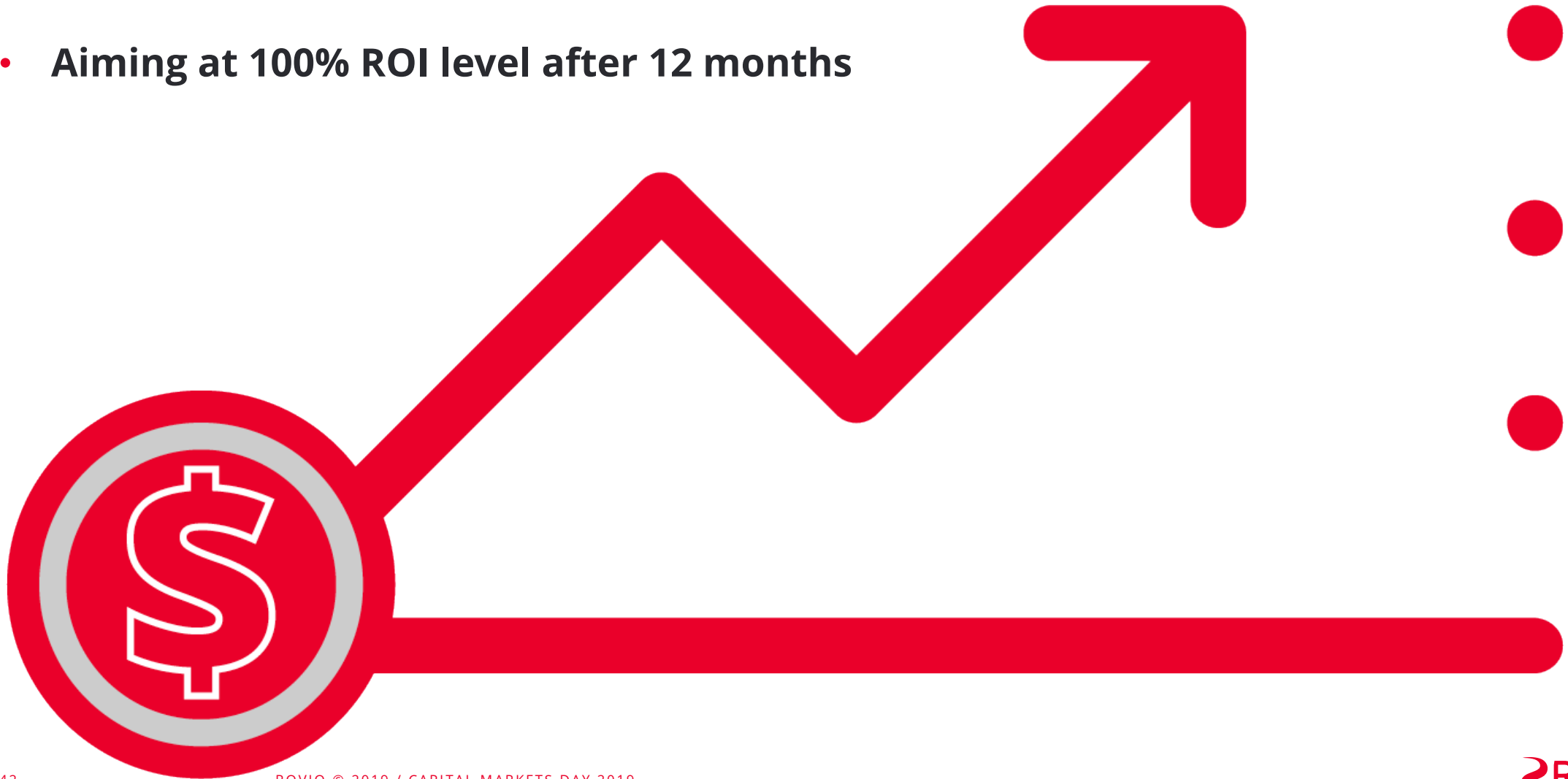
Super-targeted:  
we aim to get the  
right users



# Paid UA Strategy

# 100%

- Aiming at 100% ROI level after 12 months



# Why do we increase our UA investments?

**1**

**Changes in the UA market landscape**

**2**

**Capitalizing on punctual events (external or internal to the game)**

**3**

**Changes in the Life-Time-Value (LTV) of our games**

**4**

**New game launches**

# World class UA team

## NIMBLE

Embedded within game teams allows for custom made strategies per game and fast learning

## AGILE

With central director, constantly pushing the craft forward and deciding the spent where it is more profitable

## TECH SAVVY

All the most strategic knowledge is in-house: UA team works closely with tech team to utilize AI/ML to optimize and automate where possible

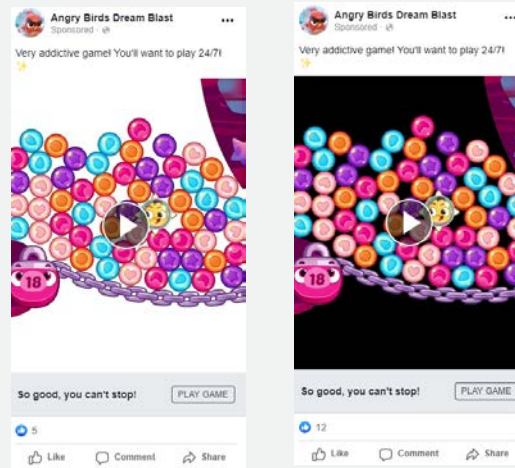
Supported by BI and Tech teams

# Examples of use cases where we are using or testing AI & ML

LTV-model, which updates automatically daily and adapt to recent data of recent performance



Analyzing what kind of video creatives perform well and testing also to create new videos



Churn prediction in a player level to find the optimum time to start promoting more about our other games

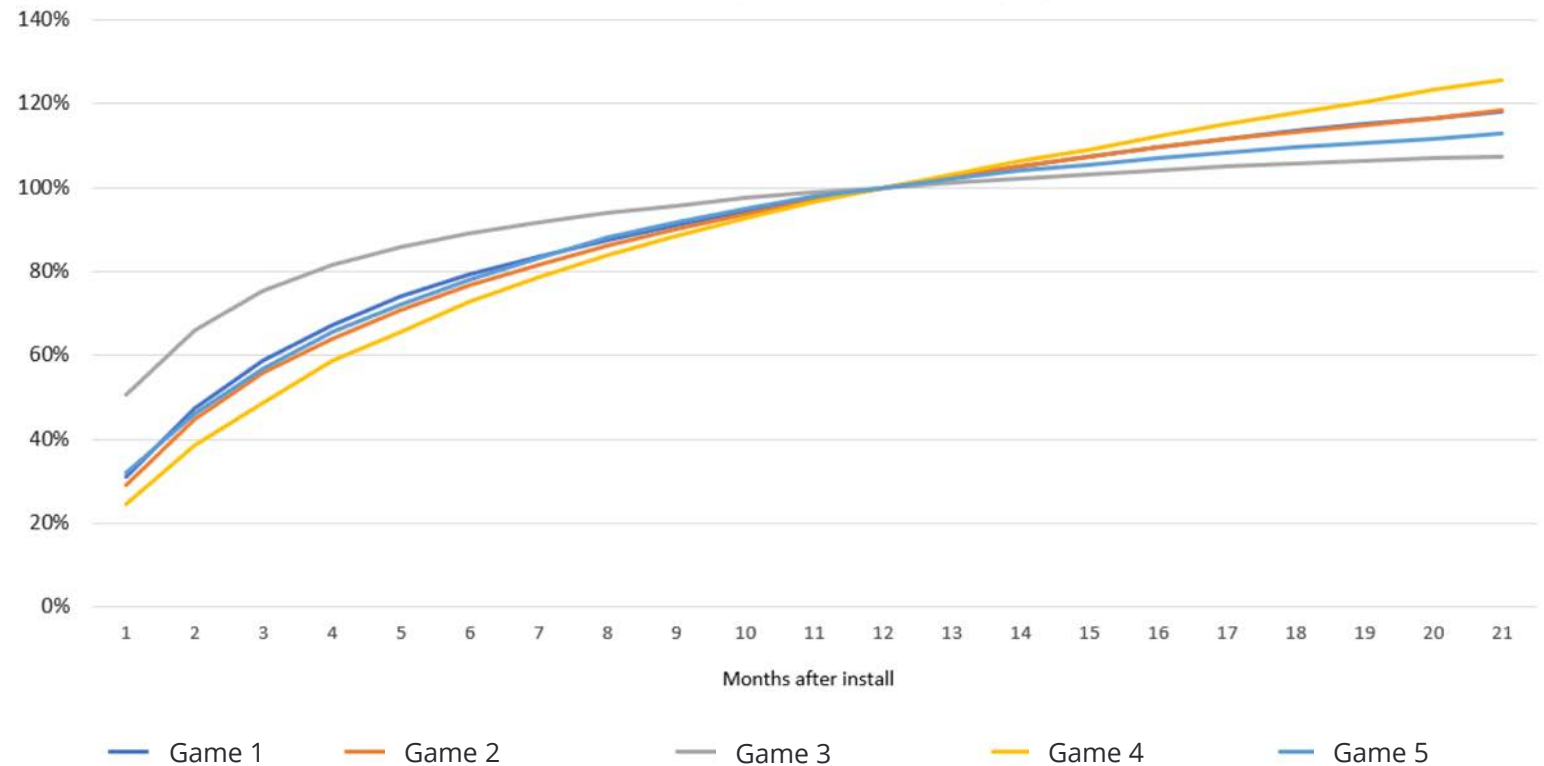


# We use a Machine Learning model that creates targets on different games, markets and user sources

**Model updates target ROIs automatically daily using recent data.**

**Since some games monetize and retain longer, they require less payback early on.**

Illustrative examples of different payback curves

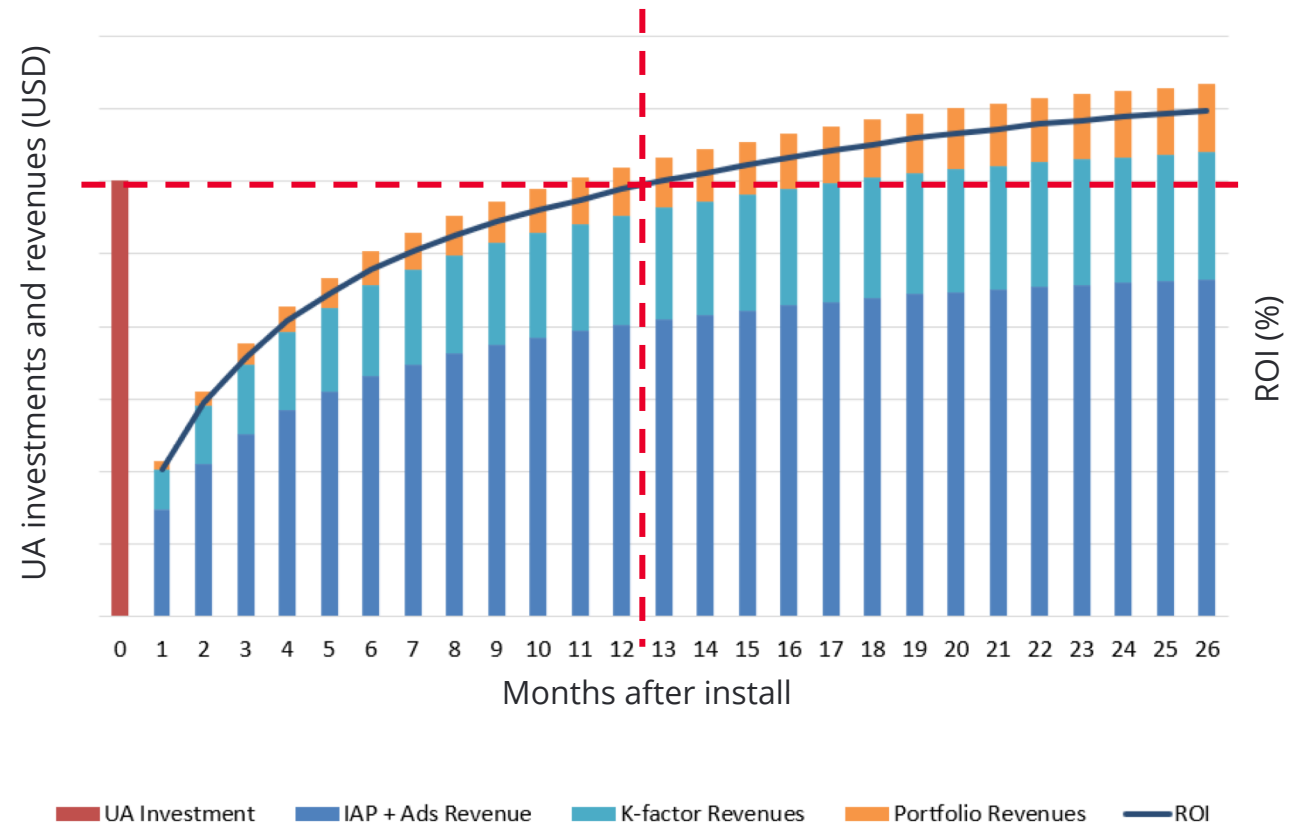


# Illustrative payback journey

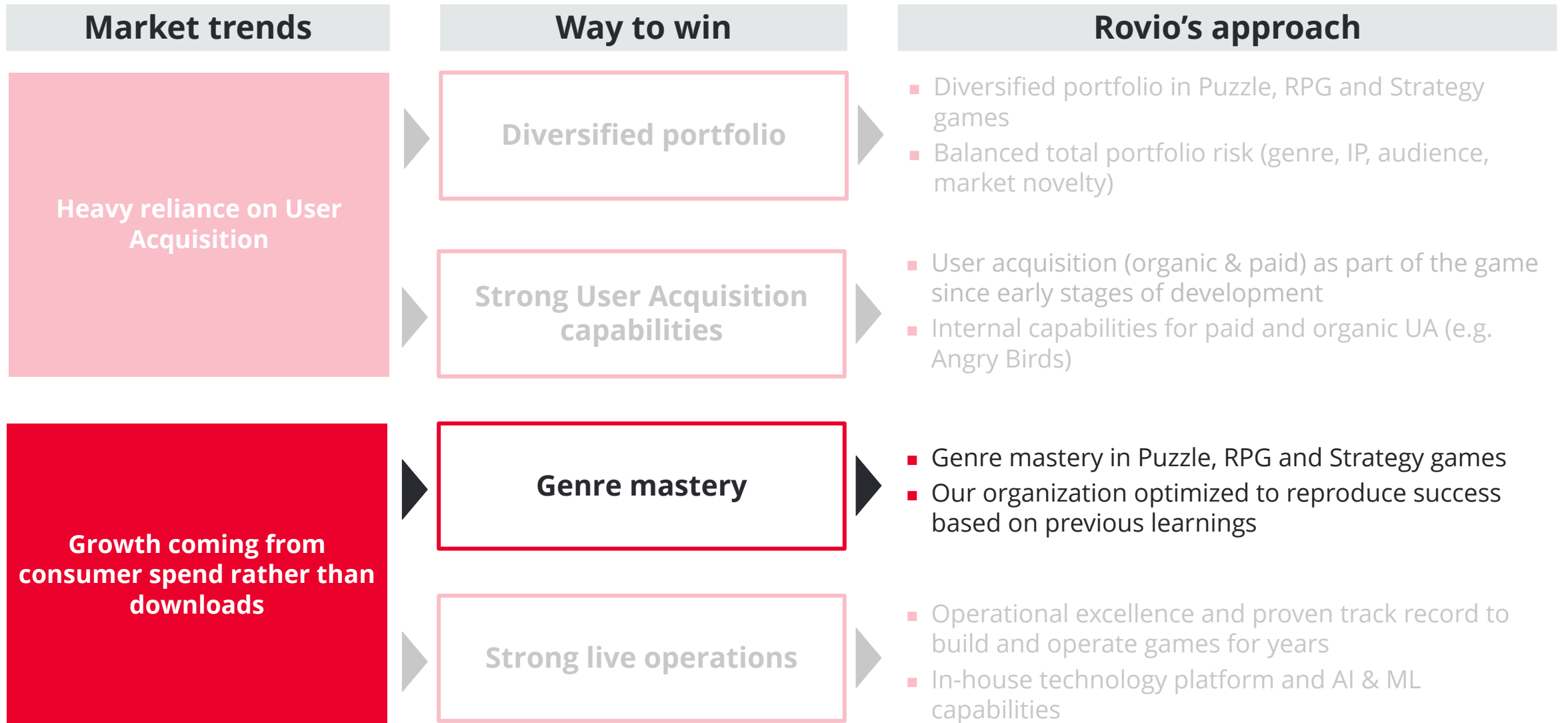
**We aim for 0% return over 12 months – after that everything is profit**

**Portfolio effect gives us 5-10% discount on CPIs**

Payback journey of a cohort



# Market trends and way to win





# Genre mastery and learning

**Tero Raij, Head of Puzzle Studio**



# Content

01

02

03

---

**Genre mastery**

**How we have  
built genre  
mastery in  
Puzzle**

**Game  
examples**

# Genre mastery at Rovio

## FOCUS

**Clear genre focus on what kind of game to develop**

## LEARNING

**Every new game in specific genre to be better than the last one**

## ORGANIZED

**Game studios organized by genre**

# Case: Puzzle Studio

# Our Puzzle Games

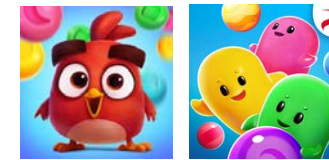
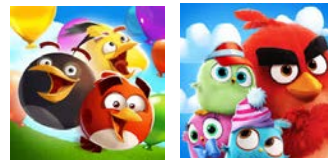
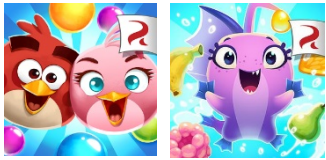
2015

2016

2017

2018

2019



## 2015

- **Angry Birds POP!**
  - a bubble shooter co-op with 3rd party
- **Fruit Nibblers**
  - our first internal game, match-3 core

## 2017

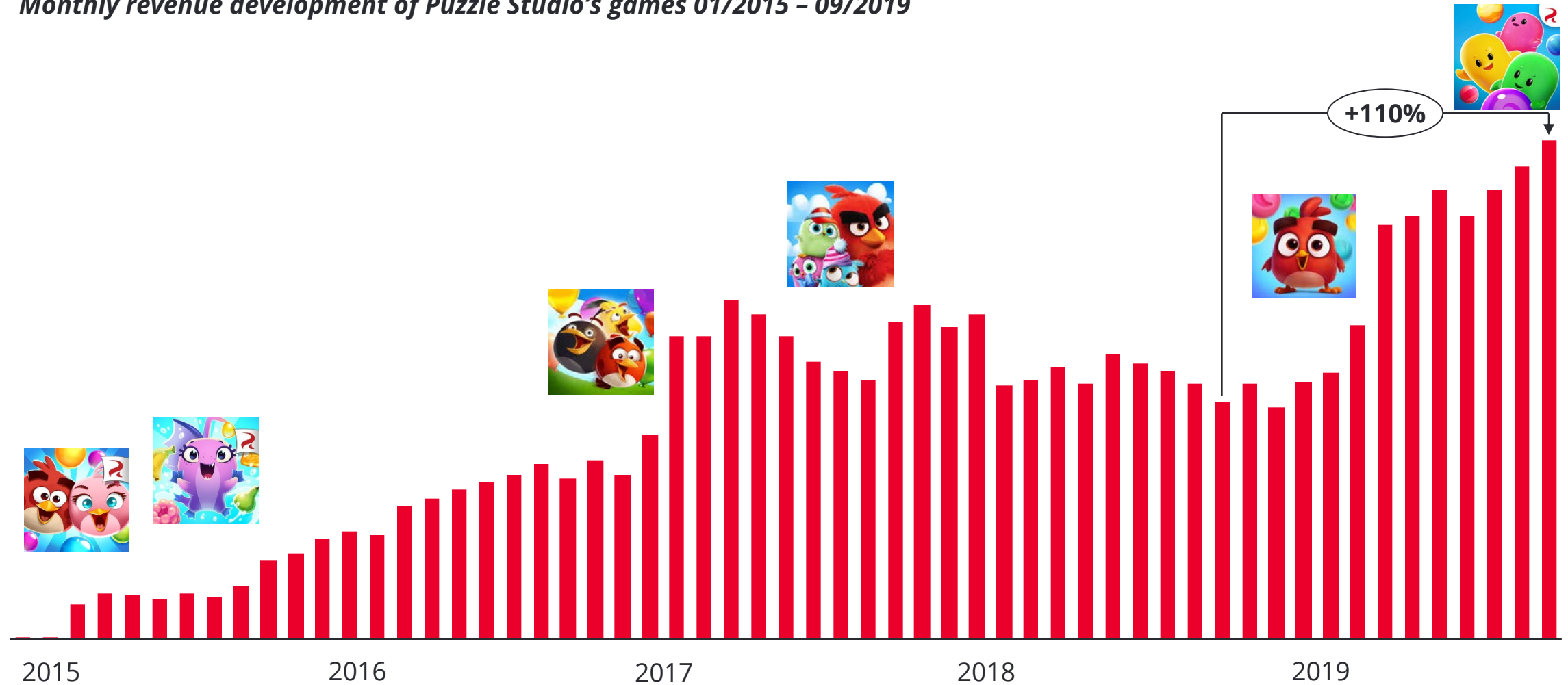
- **Angry Birds Blast**
  - our first tap-to-clear game, co-op with 3rd party
- **Angry Birds Match**
  - our second match-3 game

## 2019

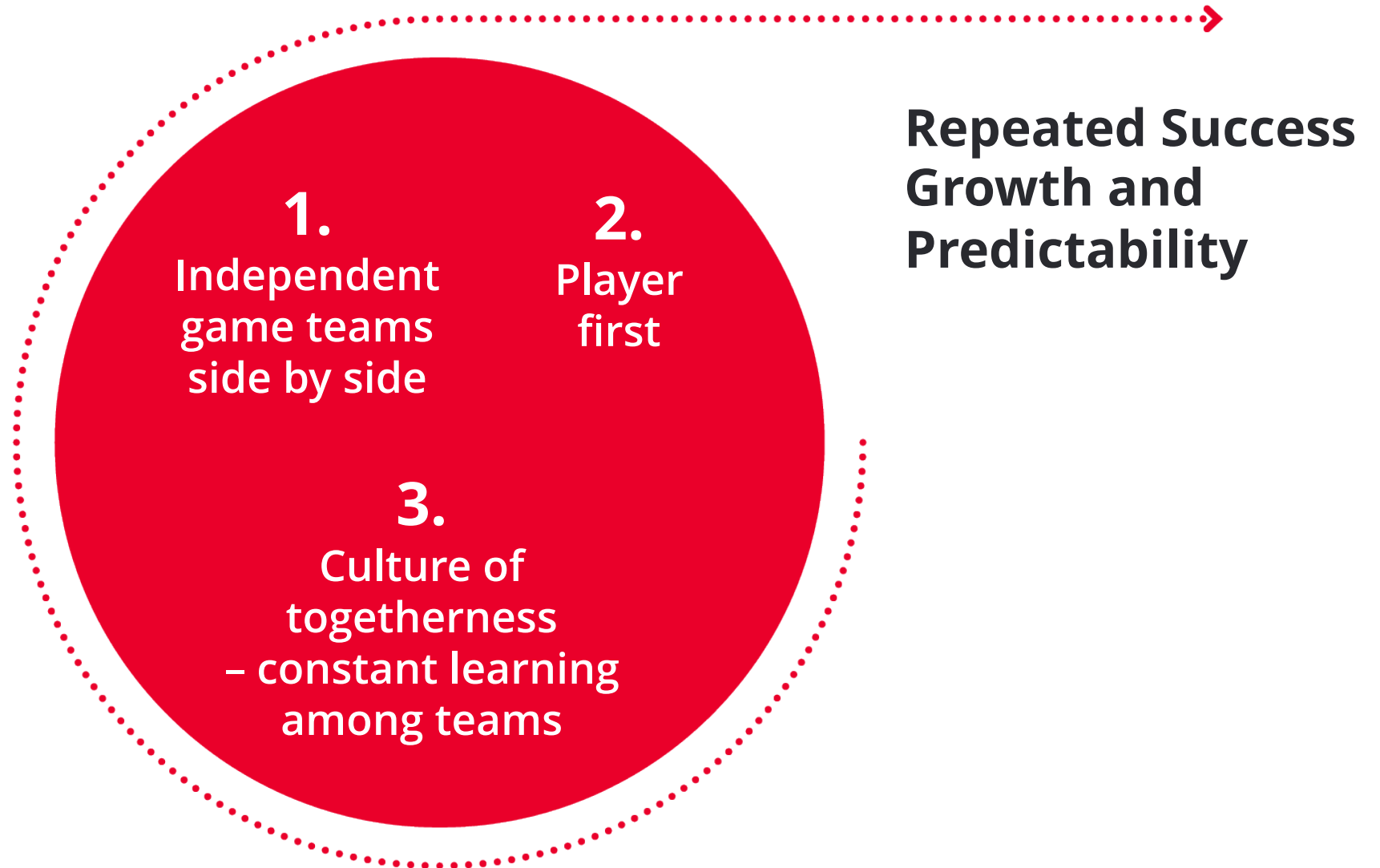
- **Angry Birds Dream Blast**
  - internal game with fresh physics based puzzle core
- **Sugar Blast**
  - leveraging the core from Dream Blast with new IP

# Growing revenues

Monthly revenue development of Puzzle Studio's games 01/2015 - 09/2019



# Studio – Building Genre Mastery Together



# Today competition is as much about marketability as it is about the great game experience. Standing out from the competition is critical.

Mastering the in-level experience



Great level content is extremely important - but not enough alone.

We discover new level-based core gameplay



Core gameplay is in the heart of marketing mass market game.

We create rich player fantasies through narrative



Strong theme enables differentiation from competition.



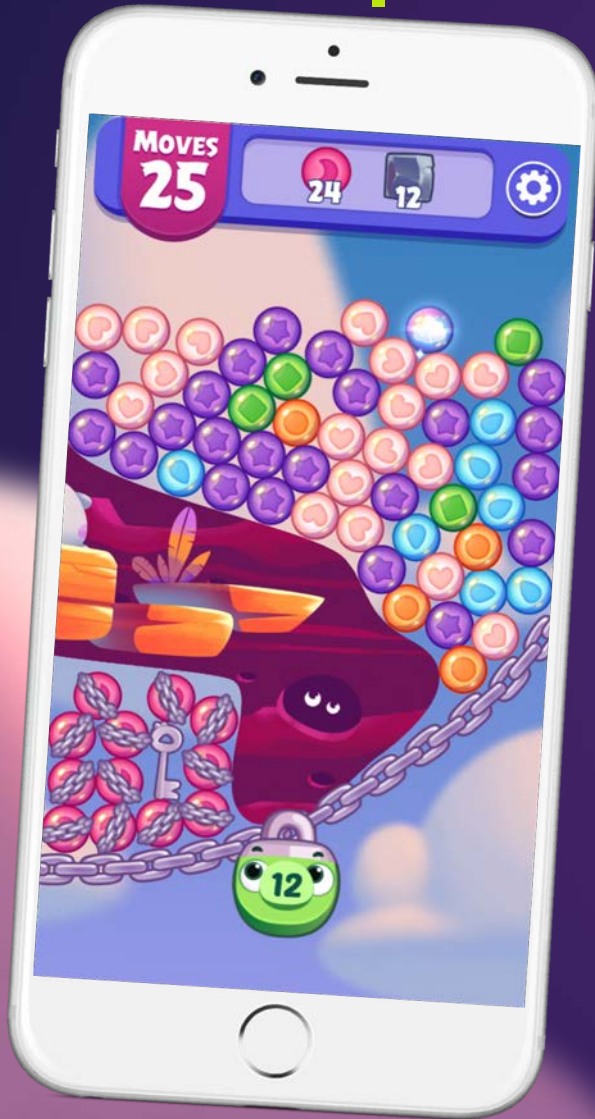
ANGRY BIRDS™  
**Dream  
Blast**





## MISSION

Claim physics based tap-to-clear puzzle mechanic to Rovio



# Sugar Blast™

## THE MISSION

Marketing innovation -  
new IP for widening up  
the audience

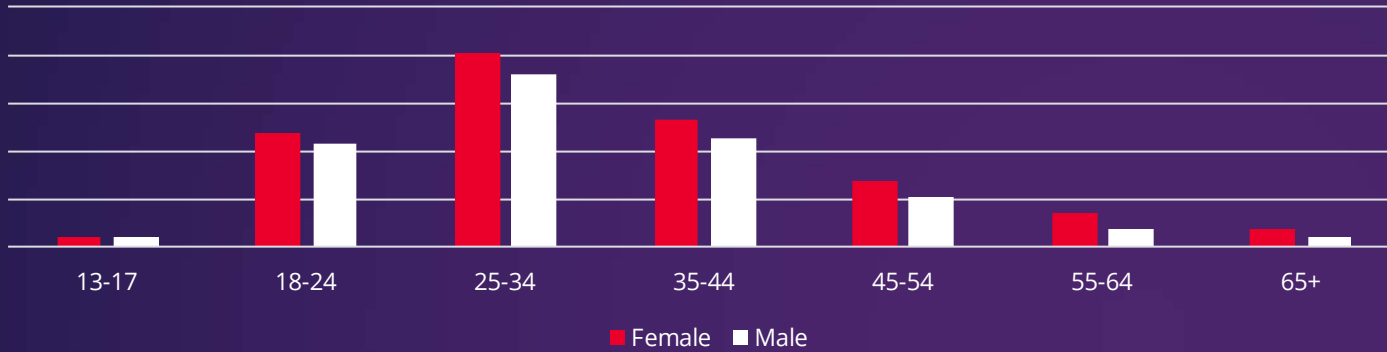
No significant changes to the  
core or meta of Dream Blast

A very fast production:  
only 5 months to Global  
Launch



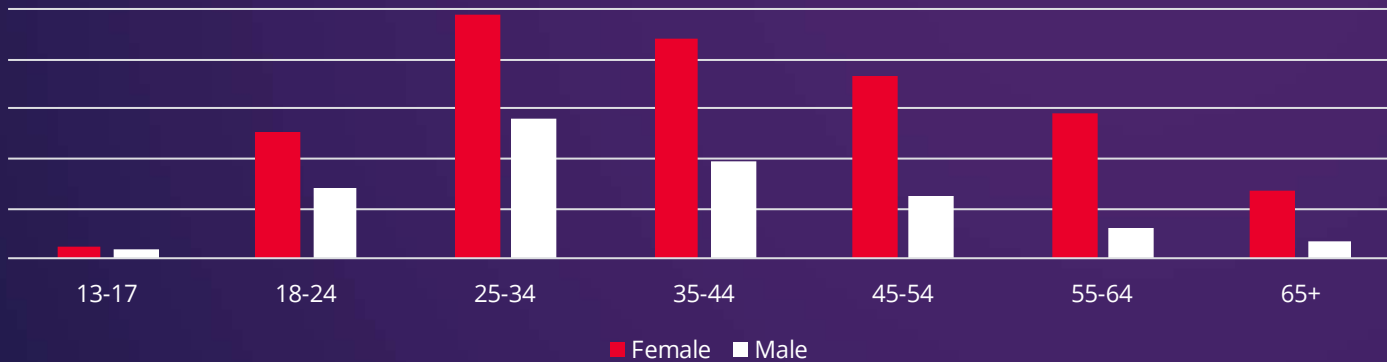
# Different audiences between Angry Birds Dream Blast and Sugar Blast

Age & Gender distribution



**Younger audience**

Age & Gender distribution



**Older & more female audience**

Source: Facebook Analytics (Oct 22, 2019)

# Small Town MURDERS



# Small Town Murders

## MISSION:

Take ownership of a compelling theme  
- highly familiar to the audience  
- but new in match3

## CORE PILLARS:

Appealing  
Theme of  
Solving  
Murder  
Mysteries

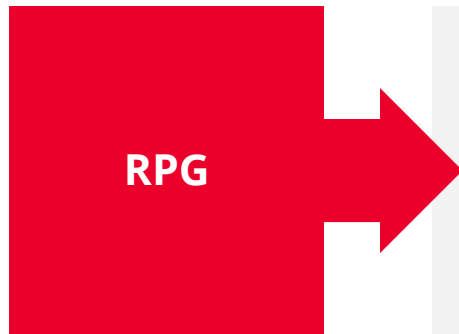
Great  
Match-3  
Level  
Content

Unique Look  
& Feel

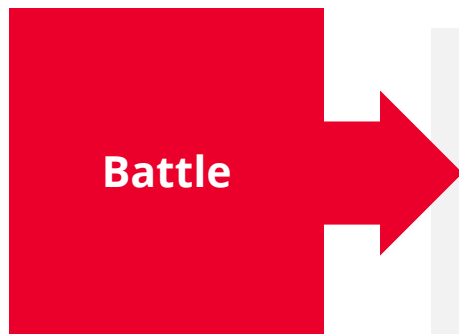


# We aim to replicate the success built in Puzzle studio in RPG and Battle studio

## Why we can succeed

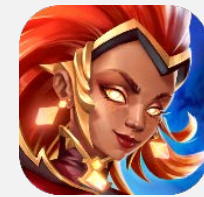


- Our previous two RPG games (Angry Birds Epic and Angry Birds Evolution) have accumulated over 90M installs
- Our Puzzle Studio has built expertise that can be used to succeed in the Puzzle RPG sub-category



- Internal tech from Battle Bay, our internally developed MMO Battle game
- Acquisition of PlayRaven – a team that has built strategy games for over 6 years

## Example projects in pipeline

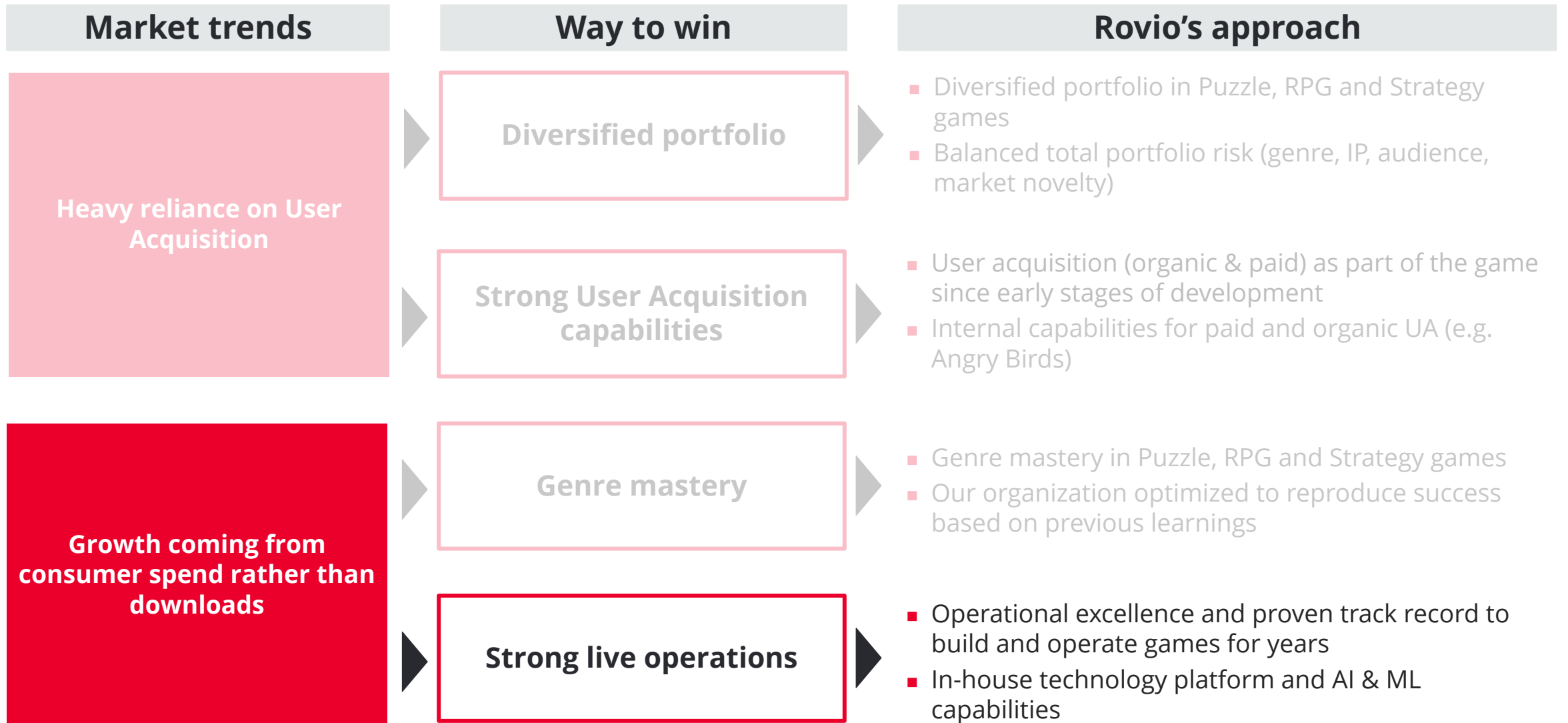


World Quest:  
RPG game



PlayRaven:  
strategy game

# Market trends and way to win





# How we build games and operate them for years

**Miika Tams, Co-lead of Puzzle Studio**



1.

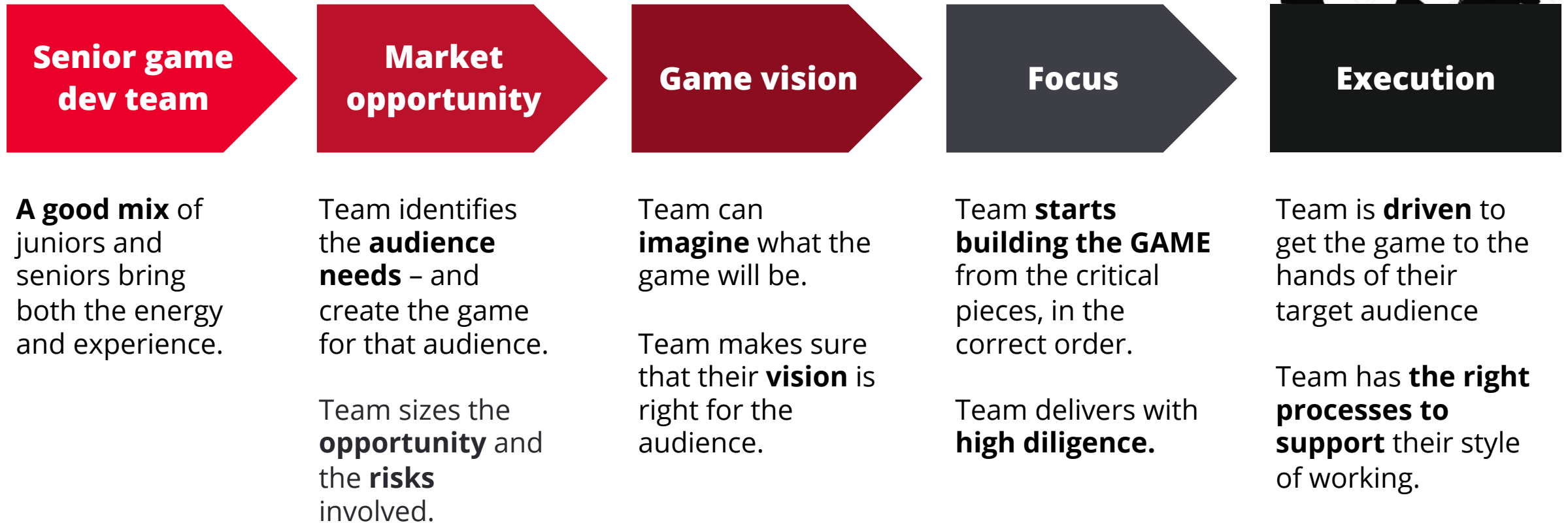
# Execution in NEW GAME development

**How do you recognize  
a great games team?**

**They make things happen.**



# How we build a game



**2.**

# **Technology - Building competitive edge**

**Rovio's cloud services for game teams (Beacon)**

# In-house technology platform - Beacon

Fast integration with user-friendly interface

The screenshot shows the Beacon dashboard. At the top is a navigation bar with 'BEACON' and links for 'My Apps', 'Blog', 'Analytics', 'Docs & Downloads', 'Support', and 'User groups'. The main content area is divided into three sections: 'My Apps' with a grid of app icons (ANGRY BIRDS 2, SUGAR BLAST, ANGRY BIRDS DREAM BLAST, BATTLE BAY, ANGRY BIRDS FRIENDS, ADVERTISING (ADS)), 'Latest reports' with a grid of report cards (AB Dream Blast, Games Weekly Report, UA payback, UA payback (technical)), and 'Latest blog posts' with a grid of blog cards (New Features in Beacon 5.4.0, Effective Push notification campaigns, Sign in with Apple - iOS 13, Copy Rule to App). A 'SHOW ALL APPS' button is located below the app grid. The footer of the dashboard reads 'BEACON by ROVIO'.

Enables game teams to create a successful game

- 01 Live Ops, development, testing, QA tools
- 02 Actionable real-life analytics through player profiles, segmentation and targeting
- 03 AI & Machine Learning
- 04 UA tools and support
- 05 Monetization

Developed since 2011 with great time, effort and investments

# AI & ML will fundamentally change how games are developed, operated and marketed

## Rovio experiments Machine Learning:

1. To **identify** market opportunities
2. To **optimize** UA and marketing
3. To **personalize** games for players
4. To **understand** the motives and behaviour of players
5. To **develop & operate** games

# Our vision for AI & ML

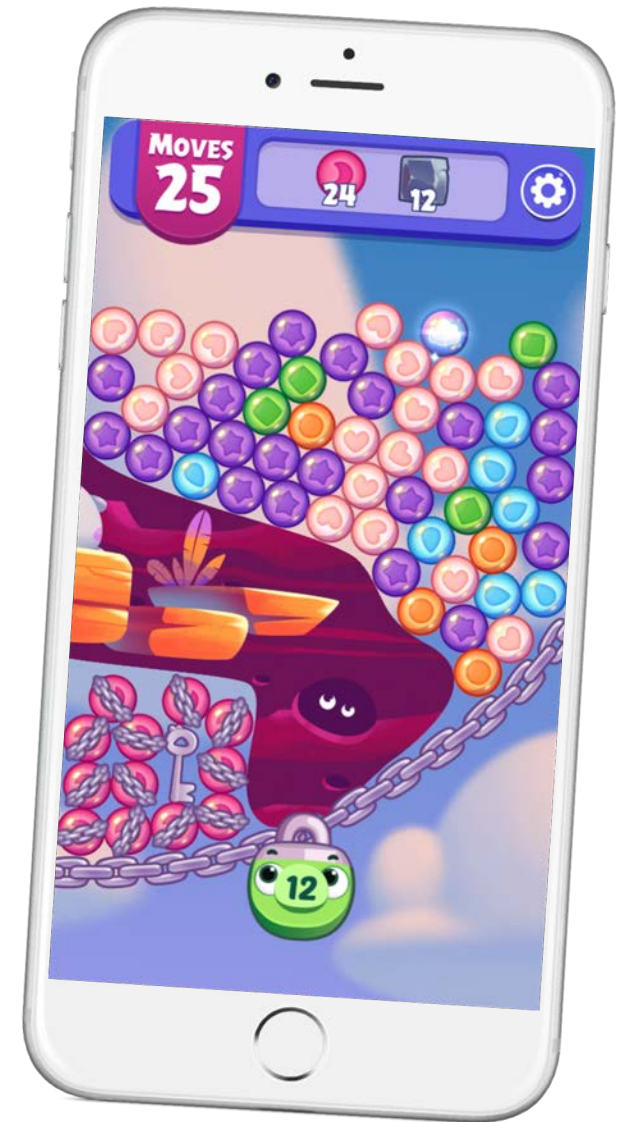
**IN 2022 ROVIO HAS A  
GAME TAILOR MADE FOR  
INDIVIDUAL PLAYERS**



# Case example:

## Example Machine Learning use cases:

- Level balancing
- Generating new levels



**3.**

# **Execution in LIVE GAMES**

## LIVE OPERATIONS

The ability to keep the game fresh and have top monetization with the features you already have and optimize new features to the maximum

- Optimization
- Events
- Offers
- Short Development Time

**Increases and sustains revenue**

## LIVE DEVELOPMENT

The ability to develop new areas to spend and fundamentally change user behavior to create baseline shifts in revenue

- Fundamental Shifts in User Behavior
- Rethink Old Features
- Add New Features
- Longer Development Time

**Creates baseline shifts in revenue**

# LIVE GAMES process





ANGRY BIRDS™  
**Dream  
Blast**



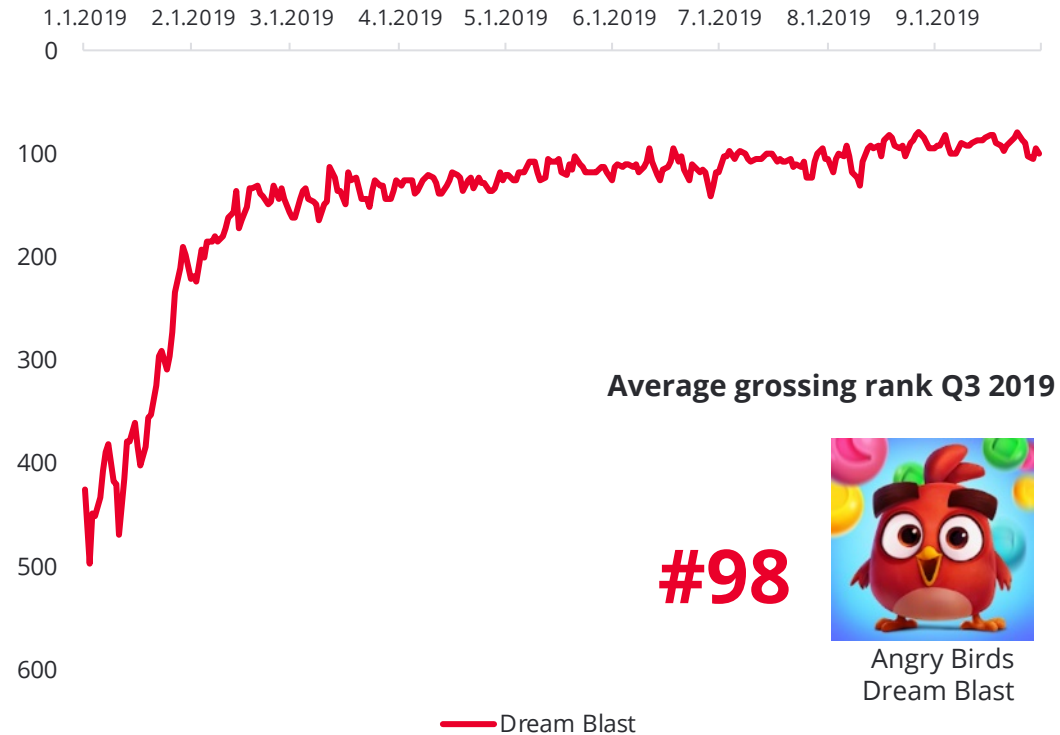
# Journey into Top 100 grossing game

## Growth enablers

- 01** Effective live operations
- 02** Fast level production pace
- 03** Improved baseline retention
- 04** Ability to scale the game fast
- 05** Strong mentality and process for testing

## Reached Top 100 Grossing in 6 months

Dream Blast grossing position in the US Q1-Q3 2019<sup>1)</sup>



1) iPhone Top Grossing Games  
Source: App Annie, Rovio

# ANGRY BIRDS™ 2





# - from puzzle game to Light RPG

Revenue development Q3 2015 - Q3 2019

**400+**

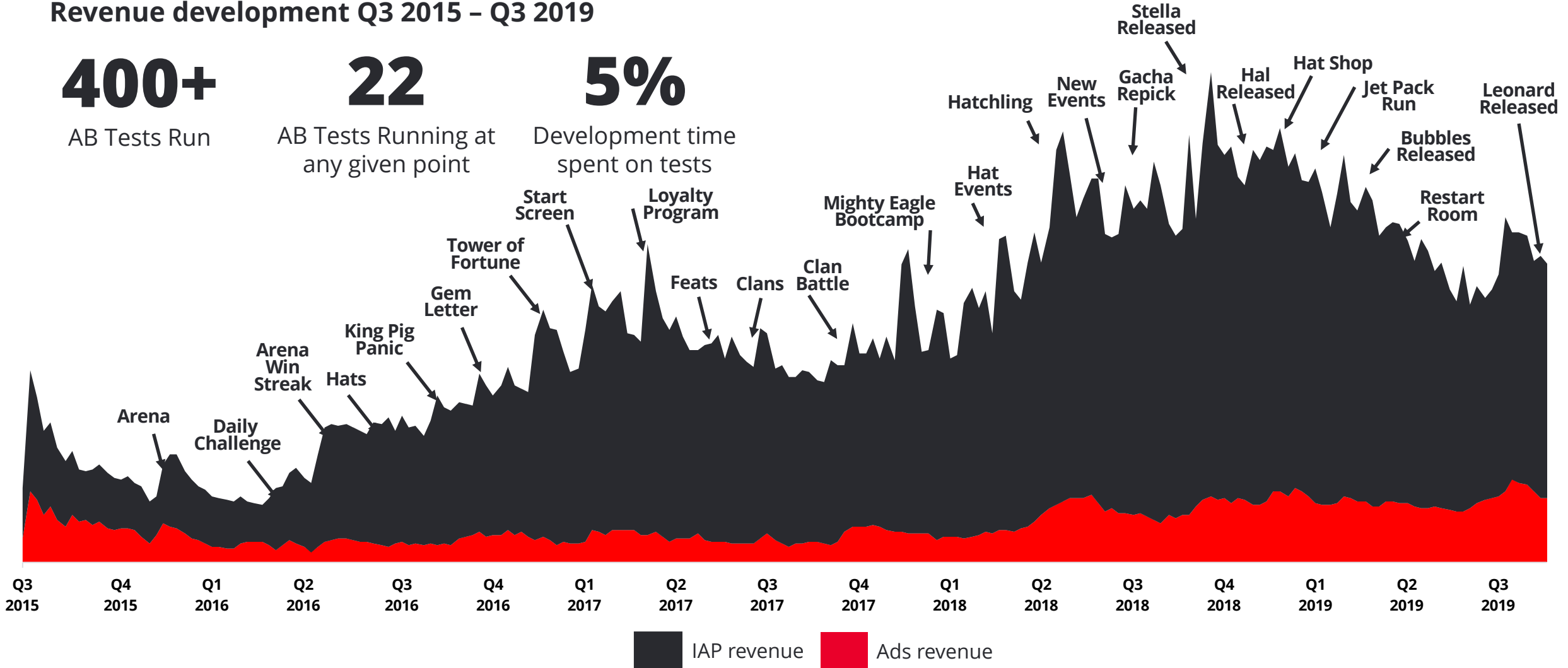
AB Tests Run

**22**

AB Tests Running at any given point

**5%**

Development time spent on tests







# - Future focus areas

## Late game revenue

Improve the revenue impact of being **social** and **competitive**.

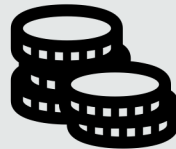
Make it clear what it means to be in a **clan**.



## Fun to spend

Improve the conversion with **new ways** of making it fun to spend.

Example: **in-game subscription**.



## The flow of the game

Improve the connection between **features** in the game.

It should always be clear for a player **what to do next**.



# M&A provides additional growth opportunities

Organic growth

Diversified portfolio

User Acquisition

Genre mastery

Live operations

Inorganic growth

M&A

# M&A: Enabling additional growth in Games

**Timo Rahkonen, Head of Strategy & M&A**



# Agenda

**01**

M&A market in mobile gaming

**02**

Rovio M&A strategy

**03**

Case PlayRaven

# Mobile gaming is very fragmented market with several trends supporting consolidation...

## Fragmented market

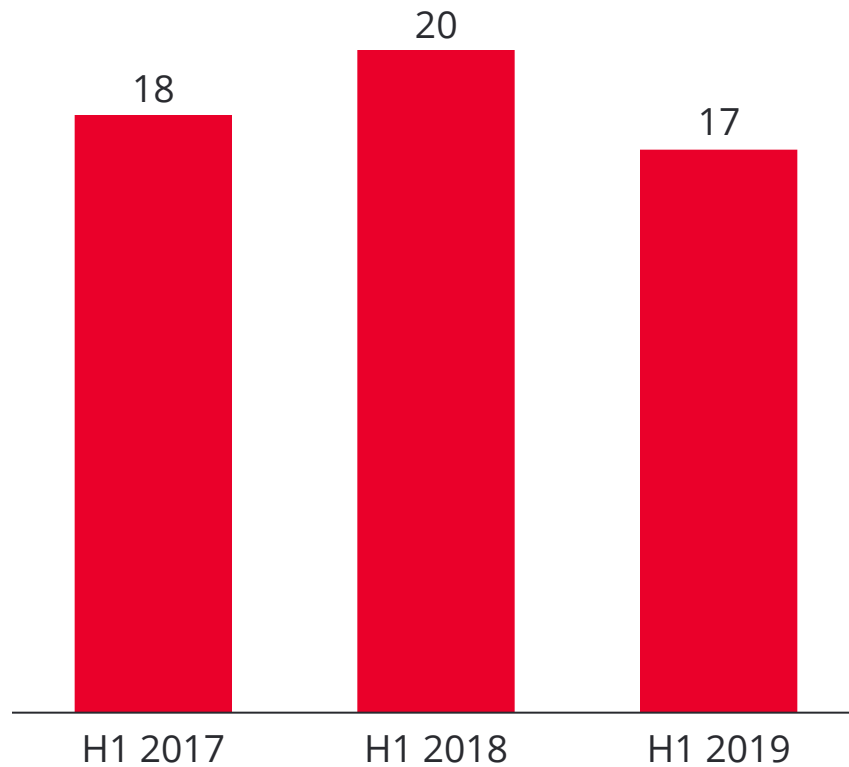
**> 900,000**  
Active mobile  
games in the  
App Store

## Trends supporting consolidation

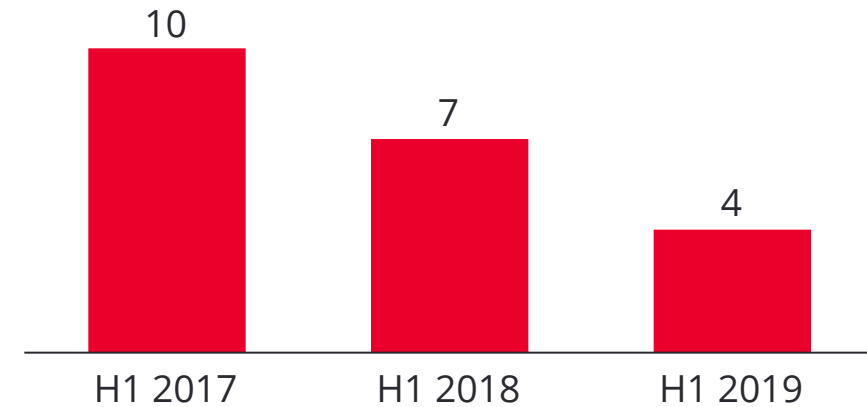
- Difficult to reach top grossing charts – big companies like Rovio dominate
- Industry dynamics favor scale especially in marketing and UA investments
- Rising development costs – AAA quality also in mobile
- New technologies and platforms emerging
- East-to-west, west-to-east has remained challenging

# ...however, consolidation is progressing quite slow

Number of mobile gaming studio deals (H1 2017-2019)



Number of mobile gaming studio deals (H1 2017-2019) with value > €10M<sup>1)</sup>



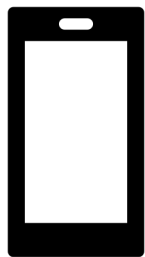
Note: 1) Based on Pocket Gamer deal information and Rovio estimates  
Source: Pocket Gamer, Rovio

# M&A strategy enables additional growth in Games

Mid-size F2P mobile gaming studios

Casual and Mid-Core categories

Investment in Play Ventures gaming fund




**CASUAL**



**MID-CORE**



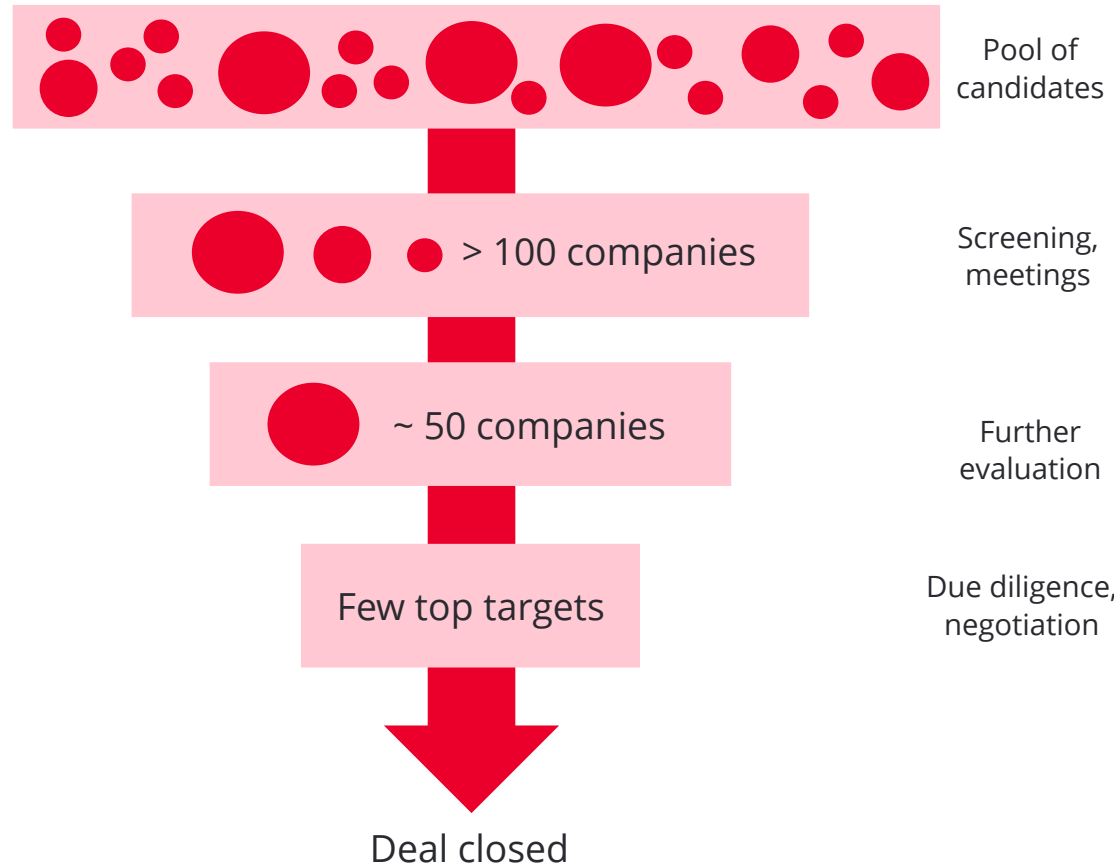
# We target mainly mid-size F2P mobile gaming studios

|                      |   |   |   |
|----------------------|---|---|---|
| <b>Rovio</b>         | <b>Mid-size F2P mobile gaming studios</b>   | <ul style="list-style-type: none"><li>• Major financial impact</li><li>• Target already has or has potential for Top 100 grossing game</li><li>• Mostly independent studios</li><li>• Rovio supports mainly in UA/growth investments</li><li>• 100% ownership preferred</li></ul> | <b>Main focus area next 12 months</b>   |
|                      | <b>Small-size F2P mobile gaming studios</b> | <ul style="list-style-type: none"><li>• Promising team</li><li>• Add missing capabilities ("acqui-hiring")</li><li>• Expansion to new genre</li><li>• Requires support from Rovio (e.g. UA, BI, Live Ops, technology)</li><li>• Majority deal preferred</li></ul>                 | <b>Secondary focus area next 12 months</b><br> |
| <b>Play Ventures</b> | <b>Early stage companies</b>                | <ul style="list-style-type: none"><li>• Games and game services companies with +€100M potential</li><li>• Also targets beyond F2P mobile e.g. cross-platform</li><li>• Minority deals</li><li>• Additional deal candidates to Rovio in later stages</li></ul>                     | <b>Goal to invest in 20-25 companies</b>  |



# We have built a solid M&A pipeline based on well defined investment criteria

Screening > 100 companies / year



Well defined investment criteria

- Focus on F2P mobile gaming
- Long-term value creation potential
- Good strategic fit
- Justified price tag
- Good operational and cultural fit
- Contribution to our financial targets (revenue and EBIT)

# PlayRaven

- Acquired by Rovio in November 2018
- Expansion to the 2nd largest mobile gaming genre: strategy games
- Experienced strategy game developers
- First strategy game planned to test launched in December 2019
- Building franchise of strategy games that utilize the same technology platform



# Games Summary

# Summary of Games growth strategy

**01**

Develop F2P mobile games for adult audience with global appeal with main focus in western markets

**02**

Strengthen our genre mastery in Puzzle (Casual)

**03**

Expand and build genre mastery in RPG and Strategy (Mid-Core)

**04**

Grow existing top Angry Birds games and launch new games

**05**

Launch New IP games to diversify portfolio

**06**

Strengthen our knowledge in AI/ML and apply this knowledge to the Game value chain