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**(inaudible sections edited by Tatiana Volochkovich, Mail.ru Group, reference slide numbers have been added)**

Operator: Greetings, and welcome to Mail.Ru's Games teach-in and strategy presentation conference call. At this time, all participants are in listen-only mode. And at the conclusion of today's conference call, we will have a question and answer session. To ask a question over the phone, please press star one on your telephone keypad. Or alternatively, please type your question in the ask a question box and click send. And as a reminder, this conference call is being recorded. I'd now like to turn the call over to Tatiana. You may begin.

Tatiana Volochkovich: Thank you, Operator, and thank you all for joining us today. For those connecting to the meeting, I would strongly recommend to use the webcast link, in order to be able to see the slides. And this will be available on our website, only after the meeting. Our main speaker today, is Ilya Karpinsky, our Deputy Head of Games Division, and also, Director of MRGV, our Games investment vehicle. And he will be accompanied by Elena Grigoryan, who is our Marketing and PR Head for the Division. Additional members of the broader management team, including Matthew Hammond and Fedor Rubtsov, will be available during the Q&A session.

We would like to highlight that while we see significant potential synergies between our Games and our E-sports business ESForce is currently reported within New Initiatives in our financial accounts, and it's managed by a separate management team. We would very much be open to hosting a similar teach-in event for E-sports in order to boost transparency of our business. But



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in the meantime, we would like to give entire focus to our core Games division during today's event. With this, I would like to pass it on to Ilya.

Ilya Karpinsky: Hello, everyone. Tatiana, already introduced us. And I can start from some overview of the Games market, which stands at \$138 billion and has been growing at 14% average pace year-over-year since 2015. We are growing roughly three times faster than the market. You can see on this slide, at 38% versus 14%. And, in addition, we plan to continue growing like three times faster than the market. Here, you can see on the slide all these numbers ([slide 2](#)).

Another slide ([slide 3](#)), gives also an overview of the gaming market by platform. It is common knowledge that the mobile segment grows faster than others in terms of revenue. Console and PC games continue growing, but more slowly although products on this platform brings more margins than mobile. At the same time, our revenue split changed too, thanks to the penetration of the console market. We launched some new titles on console. And, we also started generating some money from the console, not just from mobile and PC.

And thirdly, historically we used to generate most of the money from PC, but now we try to be cross-platform you see, with presence in mobile and console, with at this moment our main focus being on mobile platforms. And, we have more than 50% of revenues at this moment from mobile markets.

Region split of the market penetrated practically equals shares for the key regions. America, EMEA, and a half of the market belongs to the Asian region with half of that being China. Historically, we have been strong in our domestic markets with more than a half of the revenue coming from Russia. But the picture has been changing due to mobile game growth within our portfolio where American gaming audience is a target. America and EMEA revenue are a total of 55% in our revenue split and will grow with time.



We also have an opportunity to grow in Asia. Still, the Asia revenue are low because of difficulties with the operation by ourselves, but we consider the Asia region is one of the points to grow. If you can see all these numbers on this slide ([slide 4](#)).

Today, a gamer is not a person that has much in common with the geek community or related to a child-only audience, as gaming is a type of entertainment that penetrates everyday life for a broad audience. The profile of gamers is close to the internet users - you can also see in these numbers. Changes is also that there's a lot of female audience at this moment who play games. A thing to mention might be the income levels for the gamer which is a relatively higher representation for the growth of the internet audience, this is also on the slide about how the audience has changed (slide 5).

I would now like to talk about the gaming industry trends (slide 6). The fight for the audience is becoming a matter of content distribution platform as well. Common knowledge on how the market works is changing right now as the market players look for new opportunities to grow their platform solutions that they need to bring to the market shortly. Google Stadia, Apple Arcade, Epic Store, and a lot of other big players are coming into the market with their idea of new distribution platforms. It gives a lot of opportunities for the developers and publishers because we can potentially have in the future a lot of ways to distribute our products, not just like Apple or Google or Facebook.

Another big trend, Cloud gaming, E-sports as well as VR/AR are still on the hype but remain to be more investment spheres rather than money generation. We keep an eye on how these opportunities are emerging and would be ready to jump in, once there would be a transparent business model for us because these opportunities get a lot of hype from its investors, but it's still early stage in VR/AR stuff. And about Cloud Gaming - Cloud Gaming services started, like more than 15 years ago and it still not clear how to monetize those.



And a lot of new – not new trends, but in China market, there is opportunity because the regulations changed in China. And we hope we can go into this market directly or with our partners in the future and this could give us access to the tier 1 market, at this moment, for the games. And it's hard because, as you know they changed the regulations, changed the management of how to give licence to the products and without the license it is impossible to launch a game on the China market. But everything we have covered at this moment, and it all came true is changing, and eventually, we can launch our own new game titles, also, on China territory.

This short slide is about our overview (slide 7). Going to who we are and how our business currently looks. There are key figures on this slide and I would like to highlight that we maintain a unique approach to partnerships, growth, practice of expertise sharing and support and all this stuff. And this is the numbers about that. For example, about two-three years ago, we had only six studios in studio in-house and at this moment, we have ten studios and we have already made a lot of deals through MRGV.

And we can mention the key leaders of our Game Division (slide 8). The majority are Heads of the studios. Our strategy was, always, in creating a unique and effective ecosystem that allows studios to grow. With gaining access to infrastructure, all studios form their unique growth strategies with the full access to all resources that we have. This includes, for example, services, platforms, media, as well as our well-set instruments for the marketing, analytics, and investment opportunities, and our relations with the key market players. All of this is dedicated to sustaining growth strategies for all our studios. Each of our studios has their own unique strategy and unique brand name and we create a lot of possibilities we create for them (slide 9).



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On the basis of our infrastructures, studios form their growth strategies. All studios change, grow and evolve, keeping their unique footprint and identity. On this slide (slide 10), you can also see the history of our internal studios, not just the studios, all departments in the Games Division and how all these departments changed in the past. As we can see on this slide, in the past 10 years, we formed 13 units in our company. Each of them has their own history, people and unique success strategy. In the Games Division, it is very important for us to keep entrepreneurship spirit in the teams, which contributes to their development and successful titles production. For example, Studio Nord is one of the leaders of our team today. They faced difficulties in their history but overcame them thanks to support from the company and from the entrepreneurship of their leader. They previously developed social games but several years ago they changed their strategy and, at this moment, this studio developed and launched Hustle Castle - one of our top titles at this moment.

As the gaming business is hit-driven and depends dramatically on the talents in the studios, it is extremely important for us to build the work with the studios in such a way as to preserve their creativity and cultivate their talents and culture. For this, we have to develop the following principles: We divide responsibility between the central departments and studios, and give a lot of freedom to the studio in their creativity, while giving them full access to all our infrastructure, giving them access to investments, opportunities and so on. And the tool which studio takes responsibility for such sole KPI's as a revenue and EBITDA, while we strive to preserve the unique atmosphere in every studio and give them the maximum flexibility and maximum amount of freedom and independence in creativity. This is part of strategy in our venture deals - we don't want to just acquire 100% control in the studio - we want to create long-term partnerships with the founders keeping their interest in their studios. It means that when we try to acquire, we take like 50% or 60% and give the founders feeling of the ownership of the studios - not just sell their business to us.



With this approach to gaming business, we penetrate market with various instruments and business forms, starting from the classical development to M&A activities with the gaming studios. The result is that we were able to build a well-diversified portfolio of games to the market. This approach allows us to reduce hit-driven business risks while we invest resources into people and talents and scale this approach. We can see on this slide (Slide 12), how many titles we have in development at this moment and how many studios we have at this moment and how many we investigate for the future M&A. And this slide show current games we operate today and those which we plan to launch shortly.

A short slide about MRGV (Slide 13). Helping to drive our ecosystem and contributing to its development, MRGV is the branch of the Games Division responsible for scaling the portfolio and getting straight access to the new niches, technologies, game mechanics and human resources. Recapping the previous slides, we are convinced that the Games Division is the place where growth for games business is enabled, and we would strive for 1 or 2 consolidations every year – it means 1 or 2 companies, which we plan for acquisition, fulfilling opportunities to grow for the whole games business. On the previous slide, you already saw that Pixonic was one of the teams, which we acquired and now you see what results this studio has achieved. In some case we acquire, in another case we invest and then acquire when a studio achieves set results.

As a result of the MRGV's activities, BIT.Games was the first consolidation in MRGV Division and in total we have 13 portfolio companies so far. But it's crucial to highlight the numbers should begin to change in the several weeks. The portfolio should grow at this stage. MRGV is also an instrument to cover and investigate gaps that could be covered much more expensively with internal resources and discover new niches, genres, and markets for us in the game industry. Here is the numbers we sow in how many companies we have already invested and how many companies are at this moment in investigation (Slide 14). And on the genre split, these are the numbers of the games in each genre which these studios develop.



And I also wanted to give the word to Elena.

Elena Grigoryan: Let me stand up. It's easier for me to look at you, finally. The next part of our presentation will be more concentrated on the financial side of our business, and we will dive into detail of the financial matters for each of our platforms. And I would like to start with the overview of the key financial indicators of our business from 2015 until 2018.

You already know from Ilya's presentation, that the growth rate of our revenue for the last five years is about three times higher than the average growth rate of the market. And in reality these four years weren't easy for the market because there were a lot of changes on the market. And one of the key changes, in particular, was the increasing domination of mobile platforms over other platforms. And this is a long-term trend, and the total games market will be more mobile market for many years ahead. And in reality not all game companies were able to adjust their product strategy to meet this challenge from the market. But we are confidently saying that our product line-up is absolutely in line with the market getting all benefits from the growing market. That's why 2018 was a crucial year for us because it was the first year that our mobile games revenue was more than half of our total games revenue. And this is the reason why our growth rate grew up so much during the previous year and it was so exciting, with revenue up about 40% from year-to-year - the main driver of this growth was our mobile games. At the same time, this declined the EBITDA margin, which moved to the new level. And, let me consider this change in more details later. But for this slide, it is important to see [inaudible 00.17.17 to 00.17.27]. The first three numbers is our EBITDA margin in previous years with the domination of PC business in our line-up. And the last one is the red one – it is our EBITDA margin for the first year when mobile games dominated in our revenues. This is important for further.



Just to give target we have. We are planning to double our EBITDA by 2022 having about 22-25% margin rate for that time (Slide 15). If you look at split by platform of our EBITDA margin (Slide 16): the first graph is the blue line is our PC games. These are the margins for that. The dark gray is our mobile games business. And the red one is console games. If you look at the blue line, you will see that our EBITDA margin for PC business is slightly below 60%. And it's rather stable. And this has been the reason why the domination of PC games inside of our portfolio drove the bigger EBITDA margin for the overall portfolio. In the last two years, we had a slight decline of margin in PC. And the reason behind that is the new launch in this category during this year, but we are planning to return to the normal path for margins over the next year and I will explain to you the reasons behind this belief.

Now, let's look at the console business. You know about the console business already and console market - it's a pretty big market, the value is rather close to the PC market. This market is very difficult because the production cost of consoles is extremely high. The marketing investments is unpredictable, always different as there's a lack of traffic attribution, for example. And this market is very competitive. And we were very careful entering this market. And frankly speaking, the reason why we finally decided to enter console games is only that we feel that there is a lack of F2P titles at this platform and we know that there is demand of this business model on this market. At the same time, the production costs of converting our PC games to console is much cheaper than production of console games from scratch. And we have very competitive products for the PC side so for the PC platform, which can be competitive for console as well. That's why according to the strategy we launched some console games at the end of 2017 and in 2018, having about 24% of EBITDA margin during this year. But taking into account that there are few titles and the revenue for this business is pretty small, the effect of consoles on the total sum is insignificant.





If you look at the EBITDA margin for our mobile games, it's sometimes smaller than the traditional PC games, but it's still growing. And I will explain what is the cost structure to generate this number for us. In this slide (17), you can see the EBITDA margin range for compatible gaming companies. The EBITDA margin for the whole line-up of companies that we have in the list is about 24%.

The red ones are companies that primarily have mobile business. And you can see that the range of their EBITDA margin is from negative values to rather healthy 40%+. But, in fairness, I have to say there's only one product company has EBITDA margin is more than 40% in this category. So, yes, EBITDA margin for mobile games businesses are slightly lower, but it doesn't mean that it can't be healthy.

Now, I would like to dive into detail of our sales in our PC and console business. In this slide (18), you can see our revenue split and cost structure for PC business. In balance, we have rather diversified portfolio for PC business, combined with licensed forms and our own developed products. In reality there is a lack of licensed products in the world, and this number of the product available for licensing declined from year to year due to globalisation of the market. So, it's much easier now to publish your game, globally, from one centre, not necessarily involving a licensor in this deal. That's why the number of products available for licensing in the world is much smaller. That's why it is necessary for us to develop our own games to grow this business in the long term. If you look at the right top-side of the slide, there's an interesting fact. With the downgrade with our back catalogue products for this. You can see that the revenues stream for back catalogue products is pretty stable. There is a decline from year to year, but the rate of this decline is pretty slow. In reality, it's a kind of stable revenue for more than 5 years for each of the products. But, to grow this business, we definitely need to launch new products in this category, but we have relatively a stable base in this type of games. We are planning to launch two more games in 2019 in this category. It's Conqueror's Blade and Lost Ark - it was announced already.



And I will explain to you – and this is the reason why you have the decline of the EBITDA margin for PC business during this year, because if you look at the cost structure – and there are two scenarios: licensing and own developed. But at the end of the day, the EBITDA margin for both scenarios are pretty similar. It's about 30% for the first year of the game launch because you have to invest a lot to launch the game and about 60% at the second year. That's why having two new products during this year will have to decline our EBITDA margin for this year, but we will go back up next year already.

Talking about the mobile games segment, you can see that mobile games is the fastest growing business for us in terms of the revenue and in terms of EBITDA. At the current state, our EBITDA margin for the previous year for mobile was 23%. Number one for us right now is Hustle Castle. Number two is War Robots and we have separate slides about these projects. If you look at the cost structure of the mobile segment, you can see that the EBITDA margin for this segment is about 20-30%. And the key difference is between PC and mobile in terms of the cost structure is the marketing investment. In reality, there is absolutely a huge difference in the marketing approach between these two segments and I will try to explain.

In reality, PC games have very difficult first entry barriers because you have to spend a lot of time playing PC games as this is a kind of hobby for you. You have to spend two or three hours per day to spend a PC game to be compatible in the games played. And that means you need to download and install heavy client of the game and upgrade your computer beforehand. It's a very expensive component. That's why you should be very careful choosing the games for you. You will read everything about this game. Any publication, you will chat with your friends, you will watch any streams, bloggers shooting videos about this game. But if you finally make the decision to play this game, you would have instilled this game as a part of your personal life. So, even if you don't like any part of the game, you will argue with the developers, with the publishers, you will insist on changes in the game and so on, but you will play and you will not quit. That's



why the revenue flow for our back catalogue product is so stable because even if you have any changes in the game, our players, our fan base, they play with us for ages.

But it's actually a different story for mobile games because sometimes it's where people know anything about mobile games beforehand because you have a tremendous gaming portfolio in your pocket at the distance of one click. It's unnecessary for you to know anything, you just download it, play it and make your own decision. And if you don't like it, just remove in a minute and forget about it forever. That's why it's a kind of impulse product. And the only thing that marketers have left, is that if you're – from the consumer's eye appear as often as possible with a proper message. So, we build the community for PC games as the marketers. So, we do PR, bloggers, streamers, events, and a lot of things to build the community. At the same time, we just buy the traffic in terms of mobile games. In any case, the second approach is much more expensive, but it's much more transparent and highly predictable and I'll explain to you how we control this type of competition and this type of marketing plan.

Some cases of our key products. War Robots case study (slide 20). The game was launched about five years ago and is in operation for four and a half years already. Recently, they hit 130 million installs for this period. And rather you can see the tremendous growth of revenues of this product. At the end of previous year, we had to admit that we hardly can buy additional products for this game because it's very expensive due to saturation of market because five years, it's enough for the product to grow further with the help of new audience. So we decided to reduce our marketing budget for War Robots and concentrate our work on core audience. So, it's, kind of, a new stage of lifestyle for this game. So, this is the reason why we are planning to increase EBITDA for this game about two times vs the previous year due to the reducing of the marketing budget, but at the same time, we will keep our revenues at the same level because there is core audience that's been collected for all these years. So its time to take our money from the core audience.



Hustle Castle (Slide 21). Hustle Castle is still the most successful in-house developed game for us. And it's only one year and a half in operation, and already it has 40 million installs. And the revenue growth was pretty impressive as well, and here we have indicated our figures for this year because it is our key and most successful product. And it's still growing this now.

This slide (22), is very, I believe, important slide for understanding, but I would like to say a fraction of it. This slide I would like to show you how we invest our marketing budget into Hustle Castle and control it. On this chart, you can see two tracks: our revenue of Hustle Castle and our marketing investments for Hustle Castle. And the gap between that is our EBITDA. And you can see there's a tendency to grow. And you definitely see the bigger gap in the last quarter of the previous year. The reason behind that is pretty simple, because the end of the year, usually, for us as for marketers is the worst period to invest money because at that time huge ecom companies invest a lot of money for the advertisements of their Christmas campaigns and so on. But for gamers companies, it's a very inefficient time to invest money to compete with them for the audience for the last quarter of the year. That's why, historically, we decline our marketing budget for the last quarter. It is very expensive, not efficient for us. At the same time, in terms of the product, it's a very fruitful time to make a lot of promotional activities through the game - its Christmas time. So, the revenues for them is growing. That's why it's fantastic to quarter and the gap is so huge.

The first quarter of next year is usually a different stage because, for us, in marketing, it's the best time to invest more money because traffic is cheap, because we have 12 months to return this investment into the product. And, we try to invest as much as possible into gaming in the first quarter because we have 12 months during this calendar year. From the product point of view, it's a different story because it's a kind of recovery period for games economics because they are trying to wash out the game currency where they collect the last of the quarter. So, all monetization activities within the game, it's not for the additional income of the game but for



washing out monetization that has already happened during the end of the year. So, it's, kind of, a recovery period. And during the second quarter it's a return to normal time.

In this slide (22), you can see on the board in relative, it's all new audience we acquired into the quarters during 2018 divided into four cohorts for each quarter. Q1 cohort is the people we acquired during the first quarter of the previous year. Then, at the side of these cohorts is the number of installs we acquired. Then, our marketing investments for these cohorts. Then, net revenue for three months of these cohorts in the game. Net revenue means the revenue minus the platform fee that we pay Apple and Google. It's important to understand is that twelve months and eight months during the calendar year from January to January. The 12<sup>th</sup> year from January to January. The 12<sup>th</sup> year from the start of this cohort in the game. So, with the first cohort, 12M month happened at the end of the first quarter of this year. So, in reality this cohort, the full 12 months happens only for the first cohort because all other cohorts, their revenue for 12 months will be increased later. But the current numbers, even the current numbers is still pretty impressive.

If you look at the return of marketing investments, you will see that we return about two times higher revenue than the invest into the product. And of course, we do not wait 3 months or 12 months to understand if it is efficient for us or not to buy this cohort. So, we try to analyse as early as possible if this player is good for us or not. In reality, we analyse the first day of play for each player in the game and predict the LTV for 3 months, 6 months, and 12 months. So, we have an automated tool that analyses everything that every player is doing in the game during the first day. And we analyse what's going on with this player for all these timelines. So, we know after the first day of the player in the game how much money he will pay within 12 months for us and we can predict the ROIC for each player.



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And how do we do that? In reality our marketing investments for all the periods, you can see that our marketing spend for PC pretty low. And all the new projects can bring additional investment. The key growth happens with mobile products - it's all about traffic acquisition. The team who watches this acquisition business is acquisition team consists of three groups. It's traffic managers, production, and analytics. All of them work together. How do they work? Every traffic manager has daily KPI's for installs and ROI for each cohort to buy yesterday. So, for example, he knows from the automated tool, the ROI of each cohort he bought and in reality he has different splits. For example, he can split cohorts for territory, for partner, for company. In terms of different splits to understand in more detail about what exactly is going on in the cohort within the product to understand what he should do with this campaign further today. For example, kill it, stop it, optimise it, and do something with it. So, it's a kind of short distance race with daily updates and daily adjustments. So, it's a very predictable investment and it's a very profitable investment. It's a very predictable and highly-controlled investment because you can't spend money if you don't know if we'll return it about two times over twelve month. And we do this chore every day.

Now we will have a look at the new releases (Slide 24). You already know that gaming business is a very hit-driven business, and there is no exact recipe for this. And the only thing that developers have left is the chance to check hypothesis trying to increase the chance of success in the future, together with the minimisation of risk. And we have our own approaches for this risk minimisation. The first one is reusing the already successful game mechanics. For example, the team who has developed War Robots, now, they are developing Dino Squad. So, it's the same game mechanic, that we have in War Robots, but amplified with new features and new setting. Because it's going to be War Robots in terms of the monetization balance, features, and anything, that combined the game mechanics but it is going to be dinosaurs, in this case. The huge creatures with the [inaudible] at the back. So, this will be something extraordinary because we did a lot of tests on the audience, and they voted by their clicks on this – fantastic Dinos that



you produce to test this set. The release is going to be in the area of the very beginning of next year during the first quarter but already at the end of this year we will start first monetization tests for this game.

Hustle Castle, one of the most successful games that we have now. And we are developing two more games using mechanics of Hustle Castle. The first one is the Zero City game. Zero City is absolutely Hustle Castle but amplified with new and very popular in the game's world – Zombie ыуеештп. It's going to be Hustle Castle but about zombies. And I have the white block in my presentation (Slide 24) – it is an indicator that it will be announced soon, because, in reality, it's a very interesting case and I hardly can announce it today, but I would like to pay attention just for the record. It's going to be based on the Hustle Castle in terms of the game mechanics but it's going to be based on the very very popular international franchise. And in reality, I can't announce it because on the other side of this deal we have a huge partner and we can only do it together with them. We are supposed to announce the deal during the summer and launch will be already during this year. And I assure you that it's going to be a bomb for the market.

In terms of the MRGV, we have opportunity to acquire this product with half of the MRGV. It's already successful on the market. We already tested. For example, we acquired BIT.Games with their product Guild of Heroes. And again, one more white block - we are going to announce one more acquisition deal with the help of MRGV at the very end of May. It will be a new studio with the most successful product we have now in MRGV line-up.

We really believe in franchise development because it helps us to use the fan base from one product to another one and we develop our Warface franchise, the Evolution franchise, for example, and Skyforge.

And some words about the Warface franchise. If you may already know, we have been operating Warface on PC in Russia for seven years already. And about two years ago, we acquired the international rights for PC platform from its developer from **CRYENGINEER**. And two years ago, at



the very end of 2017, and the beginning of 2018, we launched international distribution on WarFace on PC globally. And in the middle of the previous year, we launched console version of Warface for PlayStation and ex box. And this year, we are going to launch mobile version of this franchise. It has not been announced yet but it's going to be done very soon.

In reality, we are producing two games for our Warface mobile. And the reason behind that is that we would like to give Warface for everyone. Everyone can get their own Warface because one game will be more focused on the current hardcore fan base of the franchise. Another one is going to be a more casual game, more of an arcade game, like Guns of Boom, if you ever heard about it before. So, we are trying to cover all potential markets with the franchise, with two different products, with two different audiences. And both of these games are supposed to be launched during this year already. As you can see, it helps us to grow the revenue for this franchise, and guarantee long-term strategy for this product. And, as you may see, the EBITDA for this franchise is extremely high. About 75% is the margin for Warface if it was only PC. It is a bit lower now as it is multi-platform. But, again, it's kind of going to be better than normal after we launch the new games.

According to our production plan, we need to launch at least two PC / console games per year (Slide 26). And at least four strong mobile games per year. To get us to this numbers, we need to release at least 20 plus mobile games per year to finally have four, or a little more strong mobile games. And this number is necessary for us to guarantee future financial success of our business. I indicated some products that we are going to release this year. Some of the products was already released – I removed it from the slide. It's supposed to, still, be released towards the end of the year, and have a bunch of products for our MRGV line-up.

And some bonus slides for you (Slide 27). In reality, the reasons why we grow our business is because we grow the number of paying users we involve. On this slide, you can see the number





of paying users and how we grow it for the last three years and number of monthly active users we have for our products. And you can see that for the last three years, we grow the monthly active users about four times. And in terms of the payers, about three times, so we grow our portfolio paying users. And we are sure that we have the proper road map to grow this number.

And about the retention (Slide 28). In reality, retention is one of the key metrics for us. You can not guarantee, but we are more confident about the success of the products. In reality, the retention is the opportunity for the people to return the next day, or on the tenth day, and so on. So, we carefully follow this metric. And the most important thing for us is the retention of the first day, retention of the second day, and the third day. In this graph, you can see the market benchmark. And relative to benchmark it is different for different genres. If you have casual games, the benchmark will go higher. If you play mid-core game or hard-core game, a little smaller, but, nevertheless, we reached a kind of, general market benchmark. 15-40%. This is the general benchmark for retention for gaming business. If you look at our products, you will see that our games are very competitive in terms of the retention for all these periods, but it's important to understand it's much easier to increase and improve the retention mid-term and long-term. So, retention of the 7d and 3d is much easier to improve and to increase, but it's absolutely impossible, or almost impossible to increase the retention of the first day. We think that first day it's a kind of, DNA of the product because the first retention is kind of the first impression of the game, is the impression about the genre, about the settings, the game mechanics. If you decided to change or to improve it, you need to change the game from the stretch. You rather develop a new game. So, it's very difficult to improve the first retention. But, in reality, we had some cases where we succeeded to do that because, for example, for Hawk we succeeded to increase the first day retention by 5 percentage points. This is, kind of, extraordinary for the market because, for example, we wrote in multiple publication about this case in the international business media. For example, only yesterday, I had a call from a local Google office and they



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invited us to present this case to their internal summit because it's, kind of, known to be impossible to increase the revenues of this game, but we did it for Hawk.

Some resume of our presentation (Slide 29). Then, our financial expectations and our financial planning, I would just like to return to these numbers. Our key goal is to double our EBITDA and achieve low to mid 20% margins. We definitely will grow our international presence to get to 80% of international revenue by 2022. And we are confident that we have our competence to achieve this number. We have very strong confidence in free-to-play multi-player online games and we will continue to develop multi-platform games for our key franchises and for our successful game mechanics. Within the genres, our strong genres, for us, is shooters and RPG, but, nonetheless, we will test all promising genres on the market because for example Hustle Castle was not part of our strategy. It fits our key competence, but we have this product, and we can do it very successfully.

And very last slide of my presentation (30) is, kind of, an overview of what we are. In reality, if you haven't already known, the gaming industry is the biggest industry in terms of the entertainment industries. You definitely know this now. And it's still the fastest growing entertainment industry in the world. And we grow at the rate three times higher than this fastest growing market. We have profound gaming experience inside of our team. And all our experience and all our background can prove that we carefully follow market trends and can adapt our business to the market standards. And be sure we do it better because we understand what's going on with the market now, and carefully following everything that's happening in our market. And we have a strong portfolio to guarantee further financial success of our business. And the key goal for us is to take significant place amongst the biggest gaming companies in the world, and we are pretty comfortable that we will be better at this going further.

That's all from me. Thank you.



Tatian Volochkovich: Dear audience, we're almost ready to move to Q&A. We have the luxury of also having here today our Deputy CEO, Mr Sergeev. And he would like to say a few words. Please go ahead.

Dmitry Sergeev: Hi guys. So, first of all, thank you for coming. We are very happy to have you here. I think I, personally, met most of you. And I think we have two reasons for this event. So, first of all, a lot of people in this audience, I think, were looking for deeper direct look into our gaming, and for more disclosure on our gaming segment and I think that what we are trying to give you here, I think going forward you should expect that we will do these events regularly, so you will have more understanding of what's going on in the business.

And secondly, I think that – this week I was – with one of the investors, and the guy said, “In which part of your business you think there is the biggest mismatch between your internal excitement and the overall, kind of, impression and the level of interest of investors”. And I said, “To me, definitely that's games because everybody's asking a lot of questions and I think everybody understands that to a large extent our success in ecommerce is a function of access to traffic. If you have traffic and capital – of course, there is a lot about execution, but you can be pretty much sure that you can be successful in ecommerce.

But, in games, we don't have this traffic. This traffic is controlled globally by Google and Facebook and everybody has access to this traffic and everyone realizes that we aren't the most well funded player globally. But I think there are three things that are driving our internal excitement about games. So, first of all, I think we have a fantastic team and thanks to Ilya and Lena for presenting. And these guys have a lot of expertise in the field and I think that one of the things, this is a very good presentation – but I think one of the things that was missing was that we could also speak a little bit more about the reasons why Russia is so much successful in games. We all know Playrix from Russia, a very successful globally in games. And, I will not go



deeper into history, but there are a lot of historical reasons including talent, including local markets which was totally pirated and these couldn't sell boxes because everything was pirated and illegal [inaudible] which are now becoming global models for F2P games. And generally, I think that the level of expertise that we have and the level of the complexity of the whole industry globally, is becoming a very big factor for our future success because it's now a totally different market. Marketing is more expensive. You cannot enter this market by just making a game in your mom's apartment, a very casual game was three, four, five years ago, that was a general kind of a market. So, that's number one.

Number two, I think that we all understand, and Lena mentioned that this is a very big industry. And we are totally sure that it will become even bigger – it's already bigger than movies. And we think that – with a very simple fact that all of us have phones in our pockets or in our hands, we all understand that this level of entertainment that we can get we can get this completely easily and which is totally different from other types of entertainment, will be growing. That's, I think, the circumstance.

And the third, I think, that for – I mean, those who have followed us for some time know that two-three years ago, we had big problems in games. We made big bets on three major titles. And I think, now, there is only one which survived among those titles – two are gone. But then we totally changed the approach. We started to widen the pipeline. We opened MRGV. We started to work on a much bigger scale, to launch more fast and as speakers said - they need 2PC and 4 mobile games – anyway, that they explained. We have plenty launches, but much more experience in just meeting people in the industry and so on and so forth. So, there is a lot of growth of work behind, and this is all about attractive the right people, launching new products with existing teams. And now, what we are doing in MRGV is buying new studios, so it's always some form of mix within our business, but I think that, again, we are not able to forecast here, but I think that one major promise that we made was that we would double in terms of EBITDA, and



we'll get to 80% international revenue and I think from all of our other disclosures, if we have one habit, it's that if we really promise something, we try to deliver. So, I think, that's all for me. And again thank you for coming.

Tatiana Volochkovich: Thank you. So, Operator, I think we're ready to move to Q&A. We'll start with questions in the room. But, just in case, could you please remind the audience how to ask a question, if they're on audio or on webcast.

Operator: Certainly, if you'd like to ask a question over the telephone, please press star one on your telephone keypad. Or alternatively, you can type your question in the ask a question box and click send.

Tatiana Volochkovich: Thank you, very much, Operator. So, we'll start with questions in the room. It would be great if you could mention your name and the company you represent for those who are on the line. Thank you. Go ahead.

Alexander Bodrov: I'm Alexander from Gazprombank. Thank you very much for the meeting. And, as far as I understand, when you are launching the product, the game, in order to have it a success, you rely on different strategies. And, one of them is to use the previous game mechanics, but how do you come up with the genre, for example [inaudible] look into yesterdays audience or not? How do you come –

Ilya Karpinsky: Basically, we try to set some ideas of the game before the launch stage. For example, [inaudible], we used a lot of tools which we can test the game before we start production, for example. Because we can use a lot of [inaudible]. In case there are some other tools. Push some fake screenshots and some fake ideas of the product. The market can collect a lot of feedback from the audience. Not just metrics [inaudible], but also the type of range of Apple,



Google and apps[?] rating. Kind of like inspiration from the platforms which are interested. Most of a lot of profile games involve new [inaudible], new setting, collect a lot of data, before we start development. And, immediately after we start developing the game on the pre-production stage for our own MVP stage, we also do a lot of focus tests. Not just like internal in-house with the UA lab, but we also launch, for example, some, like, focus on the smaller regions and collect real feedback from the real audience, not just like developed two years in, and show off the game to their game. No, no. We start in mobile development – we start collecting data like three to six months after we start developing. And we can decide about the game on the earliest or very early stage. If you talk about PC console, it's more complicated, but it's more long in terms of production. And, of course, we try to use our expertise before we decide to develop the game, like Lena mentions, we have a lot of experience in our studios in the shooters and RPG because some of our studios develop or regulate more than seven years in like, shooter games and have a lot of experience in it and they have a lot of communication with the audience, not just in Russia, on the global market.

Some of our studios develop RPG's regard 15 years[?]. On the [inaudible] titles, before we start develop this console and more games. We also have a lot of experience and collect a lot of data. And you save experience in development and in operation and data from the market, we decided about [inaudible] in the development, so we jump. And you can see, also, on slides, of course for casual games, that's just easier to find the right developers, and it's more complicated to find developers for hard-core or some unique games.

But MRGV uses a lot of possibility to work with just internal associates but also do a lot of tests with the small teams around the world because, for example, at the studios they come up with good ideas, with good motivations, and we can support them and they can create very cheap tests for us in any genres. We don't want to focus on just shooters or RPG games, yes we have our internal experience, but, for the MRGV portfolios, we have access to different genres,



different settings, different studios, and different cultures because we are not present just in Russia, but also like Europe, US, which means we can bring to our company, not just like developers, like programmers, like marketing staff. We also can bring a lot of different cultures from different countries, not just Russia.

Alexander Bodrov: And just a quick follow-up question. If you, for example, launched a game with the genre that is associated with something – I don't know, like Game of Thrones, would you pay or purchase a licence of how you cooperated with these

Ilya Karpinsky: [Inaudible] another sign of like how we [inaudible] IT partnership with some [inaudible] holders, but, yes, of course, he uses some like IP's. We have the agreement with our IP holder and work on the license base. But, it's a very difficult decision to use a license or not because it costs a lot. And sometimes, it doesn't work well from a marketing perspective. For us, it's complex problems. For us, it's more efficient to acquire users without any payments to help [inaudible].

Vyacheslav Dyagterev: Hi, it's Slava Dyagterev from Goldman Sachs. You mentioned the count is around 1000 people working the gaming division. Can you mention how many people you were about three years ago, and how many people you expect to be in three years from now? This is trying to understand how linear is the correlation between the number of people and your EBITDA numbers? Do you expect high monetization from the existing [inaudible] to be more efficient?

Ilya Karpinsky: It looks very stable numbers. Probably because three years ago, it was, kind of, like 1,000. I don't remember exactly, like, two years ago, it can be 900. Like, in one year it can be 1,300. It depends on how are games successful and how many people we need to support the growth, because you can see in our case we show you the whole number, including players and customer support. And this number of people is not related to just to our EBITDA revenues, it



more related to number of audience which we need to support. This is the most important part which can be influenced on how many people we can have internally.

Of course, we can sometimes use outsource staff for query customer support, but in our current stage, we prefer to use only internal resources for this stuff. And this is the main difference between the last two years. A number of them will start using [inaudible] internal resources for the customer support [inaudible]. Like 200 or 300 work on this stuff. And it's more related, not just to revenue or EBITDA, it's really more related to the audience. If our audience will increase very fast, potentially, we need to use more customer support, as we cover more territories and need to support people in different territories. But of course, it's formed on how it's related to the EBITDA or more revenue. But our audience number is most important.

Vyacheslav Dyagterev: Okay. And also, how much is the growth is going to be organic versus the acquisition that you target further in the month?

Ilya Karpinsky: You mean our user acquisition?

Vyacheslav Dyagterev: No, I mean the acquisition of the studios.

Ilya Karpinsky: It's more related to the studio success because you can see we explained how energy works [inaudible] investment studio, but the main acquisition is only if the studios achieve numbers which we agreed before making[?] a small investment. And if the studio, for example, achieved very good numbers, we make the acquisition. If it's doesn't achieve good numbers, we continue to support the studio and try to create long-term partnerships with the founders. But we only make the acquisition if the studio is a successful.





Matthew Hammond: Just to be clear, the acquisition is not the problem, the [inaudible] very low level, the [inaudible] capital for allocating that, we're not talking big numbers. In many respects, the way I understand the approach when you talk about organic versus acquired, but the acquisition costs an extremely low here, so really, you're just talking about the best way to bring a game as fast as possible. So, whether you go out[?] and hire these people, or whether you put a small amount of capital into their business, and then end up breaking it in, it, essentially amounts to the same thing in terms of the cost to us.

Speaker: [Inaudible]

Tatiana Volochkovich: If you can speak up.

Speaker: [Inaudible] when do – you mentioned in the presentation that KP]s for studios EBITDA and revenues. When this whole system is introduced, what is the goal? Is it absolute numbers? Or is it the dynamics for this?

Ilya Karpinsky: For us, it's very important, not just for of course revenues and EBITDA. For us, it's also an important level of growth for the studios. And, of course, for us, like [inaudible] the level of the minimum success is the studio can achieve, like, 1 million in growth revenue monthly, and continue to support this growing level like this. Not just legitimate numbers, and the top [inaudible]. For us, it's very important, first of all, to grow to level. But for us, it's very interesting numbers starting from 1 million revenue. And the studios can achieve these numbers, and continue growing fast, and can be, like next Playrix or Pixonic, in this case it becomes very interesting for us to make an acquisition. And the same figure is for our in-house studios not just for MRGV. For us, we try to create ecosystems and provide full access for MRGV portfolio studios or for in-house on the same level, and we keep KPIs for them more or less the same for in the internal studio's Heads or for the founders. If these guys want to achieve good numbers,



and get good bonuses at the end of the year, they need to achieve their good numbers t in revenue and in EBITDA, with minimum growth target level and EBITDA.

Speaker: And the second quick question on console versus mobile. So, you said that console is much more expensive in terms of the concept development, and that's why the margins are lower, but you went there because you believe that there is a lack of people playing games on the market. At the same time, you said that over the next several years, you want to launch two games per year in console/PC and four in mobile. Do you think that there's any potential downside to these numbers in case of PC consoles considering the higher cost of investment.

Ilya Karpinsky: [Inaudible], I want to mention the margin on the console and on PC is higher than on mobile and that's why we want to continue developing the PC and console titles, and Elena explained to you the difference between the marketing costs. Of course, development costs for mobile is cheaper and you can launch to the market faster than PC and console. But the margin is lower. A lot of margin can come from PC/console platforms and we want to continue to develop titles there. Plus, one of our in-house studios have expertise mainly in PC and console, and they want to continue this strategy. And we are ready to support them. For us it is also very important to support all platforms because in the future the borders between the platforms can disappear, and we will need to launch the game across all platforms simultaneously when it will come using Cloud solutions, for example.

Yes, it can happen, potentially, in the future. In this case, we need to provide to the market the quality level of the games. like in consoles not just in mobile. Of course, we want to complete it. [Inaudible] list of production for the console market. It would be difficult. It takes more time. It's more difficult for the Russians to do, for example, because the console market, the main market in just the U.S. and Europe and Japan. And we need to hire some people also from the U.S. and Japan, which people can support us to develop the right products to this market, but we already



mentioned our main goal is to generate 80% of the revenue not from Russia. And the console market is still pretty huge. It's very difficult to answer like in short words. Yes, for us, console is very important. Yes, we have the studios, in-house, and we'd like to invest in some studios to develop games for the console and PC platforms.

Matthew Hammond: Also, some of the titles you releasing on console consists of re-using the IP you've already done. These are not stand-alone console titles - these are titles which you've already got on other platforms, like mobile or PC, for example.

Ilya Karpinsky: Yes, this is part of cross-platform focus

Matthew Hammond: Yes, you are using the IP there, and then you're taking it into mobile, etc. So, yes, it's true that the development cost of console, especially it's a stand-alone title continues to go up. For us, of course, it's a more efficient use of the capital in the words that you're re-using the IP each time.

Ilya Karpinsky: The marketing cost for the console is much more cheaper than for mobile.

Beatrice Bushati, East Capital: [Inaudible] Can you please discuss the lifetime value or ROIC on the console versus mobile, or the type of return numbers?

Elena Grigoryan: In terms of the lifetime value, in reality, there's no market benchmark for consoles and for mobile. It's absolutely different in product. If you have casual games, for example, the LTV for the casual gamer is a little slower definitely, but the lifetime can be a longer. If you have more hard-core games, number of players, number of peers because your product is small, but they ARPU for these players is usually much higher. Taking into account that the main part of the console games are more mid-core or hardcore, the LTV for this product is historically bigger than



for mobile, but if you compare hardcore for mobile and hardcore for consoles, this is the same in reality, there is no difference.

Ilya Karpinsky: This is one of the main differences to console market is it still like premium markets for the premium games, where you don't have like LTV. They need to sell, like, every year one game. But, on mobile, it's mostly like mostly F2P games, like 99% of the products.

Alfa Bank: In your official press release, you say that from international markets, that Japan, Germany, and U.S. are where you find the most demand for your games, and I would like to hear some comments about your view on those market developments they made expectations, difficulties that you find there because as far as I understand, most of new revenue, you expect to come from those particular countries, or maybe not.

Elena Grigoryan: Our revenues don't only come from these countries. In reality, in current stage US is the number one country for us in terms of revenue based on mobile revenue mainly. It's about one-third of our revenue for mobile comes from here. It is because we target this audience, then develop the product, market the product, so we are looking for this audience for our product, and as a result we have sizeable US exposure. In terms of the Japan for example, I can say that whole our portfolio is pretty strong in Japan but, for example, War Robots is pretty strong there. And the growth of War Robots in Japan guarantees the growth of this territory in our portfolio. So, there is a different split for different products in terms of the territories.

Germany, definitely, is the biggest new territory for us, and the new region for us. As you may know, our office is in Amsterdam and for that team Germany is the key territory to work with because then we talk about the further growth, not only for these three regions because we are trying to grow everywhere in the world. Because in reality, we try to calculate the number of countries we have the players for Warface, for example. And the last calculation was about 195



countries. So, it's almost everywhere. So, definitely, we have our covered regions, but everywhere in the world people can play our games.

Ilya Karpinsky: I want to mention that we can operate our games on all territories, based in Russia or in Germany or in US, because the game industry is a global market, we are all over different countries but for some of the games because the game can be developed, for example, the team from Japan for Japan, for example. But it is not enough, for example, in this case, they need to launch the game on the global market to generate more revenue. Like War Robots, we don't expect that the game achieves these good numbers in Japan because it's not our main focus, but it's a robot. The robot is suited to Japan's mentality. Sometimes it happens. But of course, we try to launch games on our primary territories, like Europe, the U.S., and Russia. And we want to launch our games in Asia. No, I mean not launch, we took both mobile games. We launched games immediately globally in all markets except China. They are open for everybody. But our main focus where we make user acquisition supportive in global marketplace. Germany and Japan, yes, these are big markets compared to all others, it, potentially, has a lot of revenue comes because Germany, for example, is the biggest market in Europe, and, of course, compared to other countries in Europe, Germany, in any case, will be bigger for any product.

U.S. and Japan – or like the U.S., China, Japan, Korea, are the four biggest markets for the games industry compared for the size of the market for any other country.

Alfa Bank: If I can make a final follow-up. What do you think, which resources you may be lack, still, to effectively monetize on those markets because there are a different space in every country? The gamer audience. So, what should you like to have more within your groups of studios to be more effectively entering or expanding on those markets?



Ilya Karpinsky: Basically, of course, we need to have some more presence in Asia, like South Korea, Japan, and China, and we try to work on this market more directly because this market has a lot of special regulations and a lot of other stuff, which we need to specify to make user acquisition, and to do a lot of stuff. For example, Japan is a totally different market from others. From a mentality standpoint, from a non-user position, and all this other stuff. But, you need, also, to understand our strategy on how we grow our studios. Each of our studios have their own strategy. Some of the studios can choose to work only, like, for Asia territory. And we will support these studios. Some of these studios prefer to create only, like, Hustle Castle type games. This game is more fitted for the U.S. territory, and for these studios, the main goal, the main idea, for the Head of such studios is to create on the U.S. because this is like the main market for them.

I mean U.S. is not [inaudible] because I cannot [inaudible] only English speaking alone, like tier one countries. Only English speaking territories on that on growth. And it's very difficult to answer your question about what can help us. In this case, we regularly ask what we can support studios such as the good numbers because which studios can bring something different. I don't know. Maybe for some of our studios [inaudible], like Amazon to create new ideas. And if you come to us with this idea, yes, we support him. If he has already proven the concept of the idea to develop, because we want to give possibilities to all our studios to bring flare. Why not?

Tatiana Volochkovich: Thank you. I want to thank, everyone, for submitting questions through the webcast. There is no chance we'll be able to cover, pretty much, any of them. But please keep those coming. We promise to get back to you in writing after this meeting, in the coming days. If I could squeeze in one question from Pamela from LGM because I really like this question:



Ilyam, do you see the balance of power shifting away from mobile distributors at the rise of Cloud gaming? And, as a developer, do you see games developing become platform agnostic over time?

Ilya Karpinsky: Well, if it happens, we will be happy because at this moment it's very difficult to avoid work with Apple or with Google on the market because Cloud, again, you cannot avoid this issue in any case because, for us, it's not a question about Cloud or revenue[?] distribution. It's about access to the audience. We cannot launch games on the iPhone without Apple's store. It's impossible, with Cloud or without Cloud. We cannot, at this moment, have good access to the Android audience and avoid Google Play. Yes, some companies try to avoid it, but it costs much more, if you need to invest a lot. Of course, we will be happy, and we happy at this moment because the work between the distribution platforms are more between distribution platforms. And a lot of new ways for the distributions to come to the market. Like Epic store is a very good example, but it's on the PC platform. It's very difficult to launch the game without Apple or Google. Not on Google, but on the phone, you can only do through Apple or Google. Maybe I don't know. If Epic Store launched an Android Store in the future we will be happy to launch, our game from and on other channels which can give us good access to the audience. If we need to support, like, Cloud solutions to that, yes, we'll do it. We already mentioned in the presentation. We, in any case, used a lot of VR Cloud games for a lot of stuff, but without it is still business is in the initial stages, because like VR – VR is already launched, I don't know, several times – more than like five times in the past. And it's still will be a good target. Cloud solutions, first Cloud solutions, already launched, like, 15 years ago. It was also launched to the market. We want to understand how we can work with our audience, and for the distribution platform. If they give us, and we can access the audience, of course, 100% we'll work with then.

Elena Grigoryan: Maybe discuss the channel there for us, [inaudible] provider? There, for the audiences there[?], who we absolutely will be in.



Ilya Karpinsky: I can add, for example, we also developed a lot of additional community engagement services which can be used for any distribution platform, and, for us, it's very important, if more distribution platforms will be on the market, we can provide more additional services to all the distribution platforms.

Tatiana Volochkovich: Excellent. Thank you. Unfortunately, we have room for probably two more questions. We'll take this from the room, and again, I tell everyone online, to keep the questions going, we'll get back to you slightly later.

Go ahead.

VTB Capital: I have a question on your game economics from the [inaudible]. The initial development to distribution. So, especially in mobile, you launched quite a lot of games, but not all of them are successful. How the budgeting process works? And, how you allocate money? At what stage do you understand that the game doesn't work, for example? And how you reallocate money? How good are you in control of the cost per game, and, for the total portfolio that you are launching? Thank you.

Ilya Karpinsky: If it's about development, we try to prove the idea in early stages. Of course, some of our budget we call on before the launch because it's a normal part for any publisher, and developer, in video games, not[?] on all of our games you can see on the market. Some of these games falls on the early stages. Process for us to follow an R&D budget. Some of our games which we trust, for example, and we want to launch with some unique ideas on a new platform or, how do you say, or in a new genre, we launch, like Dmitry already said. We try to launch like 3D mid size with like [inaudible] from the ones we [inaudible], for others, it doesn't show good numbers and we need to go or to move in another direction.





If you talk about marketing spend, we control all our marketing spend in real-time because we collect all data, and we can decide about whether to continue our marketing spend or not. I don't know how to say it. We try to be like share markets based on the stand[?] I receive in real-time and we, and the step of continuing to invest money in this channel or stop doing that. And we can calculate and predict a lot about marketing spend.

Elena Grigoryan: In reality, I believe that this is one of the key conclusions we have after all our background, it is very important to show your work to the audience as early as possible because, at the current stage, this business has absolutely[?] of business, not only in the case of the marketing but in the case of development as well. Because, in reality, there is no any expert opinion any more in this business because as early you can have the real audience, and then you can have get reports. That is why we are trying to make the 15 minutes on the gameplay, just show that the audience are not just [inaudible] but in the real target acquisition for the target audience, the real markets. And then, that's just testing the metrics. There is no, just, discussions. The people that have worked before many years ago, just metrics, and that's all.

And in reality, if for example, we understand in the early stage of development, that the metrics is slower than we expected it to be, there is about two types of trials for the company, for the studio, to achieve better numbers. And we have about three or two months for each studio to grow their metrics. For example, if we have a first test and the metrics is lower than we expected, we have one month for additional trials. And, for example, if during this month there is no progress in terms of the metrics, then you have one more month, and the second trial will be the last one for the products and for the studio because, in reality, the products will be cold. And the studio will be declined in terms of the number of employees inside of the studio and they will go to additional steps and new development.



Ilya Karpinsky: Yes, we continue to invest into core team because it's one of our major focuses. How do you say, it's important stuff for us, and if the company, not in the studio cannot achieve, for example, good results with the product, but yes we have some employees from the studio and the studio core team tries to create new ideas, new products, new depths, and go forward with the new ideas. I showed you on the slide which the studio changed their history. Sometimes, for example, the studio has a good product, and generate more money and they need to change, like, platform, genre and they need to change their minds. But we try to invest in the studio and their teams, the core teams. This is very important for us. But, of course, we control every step of our expenses on development stages and the operation stages.

Matthew Hammond:[Inaudible] good money off the bat is the easiest thing in the world to do. And the easiest thing to say, we don't do that. Every company, when you have development, it's incredibly [inaudible 01.23.45] and incredibly hard to do. And why, I think, the games, for us, has been so good over the last few years – and hands up, probably a few years ago, we weren't quite so good at it, is to be absolutely ruthless. And, you know, they just talked you through the process there. Although, a little bit more detail than I would have wanted to give you. In terms of actually saying, "You not hitting your numbers, you have a month. You not hitting your numbers, then, essentially, we cut and move on." You have to have a very heartless in some respects, framework in place these guys, especially, these are very emotional products and they live their lives on them.

And from a Group level, we have to be utterly ruthless and very data focused in this aspect. And that's where I'm consistently impressed with the team, in the way that they get a grip on the capital allocation. As you said, the marketing is entirely dynamic, and we should see, 24 hours later, the effect that it's having. The data we showed you, we debated whether we'd show you the purple[?] Heads on that – I didn't want to, obviously. This is very easy to track, exactly, the success you're having, and if it's not hitting the metrics than you just cut it –



Speaker: In terms of the question –

Speaker: No, that's where you [inaudible].

Tatiana Volochkovich: And last question, Sveta.

Svetlana Sukhanova, Sberbank CIB: Thank you very much. This is [inaudible]. Thank you, so much, for the kind of deep disclosure and great detail into the scheme. My question would be, how consistently do you plan to report this kind of disclosure for the Game Division?

Matthew Hammond: Sorry, I couldn't hear your question?

Svetlana Sukhanova, Sberbank CIB: How consistently are you going to give us this kind of disclosure? Are you going to have a kind of disclosure on a quarterly basis? Are you going to have this kind of disclosure per year? So, what would be –

Matthew Hammond: No, we will never give game by game revenues again, or EBITDA. Nobody does, right? Because, to be honest with you, there are so many moving parts. We will try and give regular updates on what's happening, but we're not going to get to the level of reporting on a game by game basis. You've got a big portfolio, you've got constant releases. I'm not sure it actually helps you guys. We've been overloading you with data which is absolutely irrelevant.

Svetlana Sukhanova, Sberbank CIB: [Inaudible], you may be able to report, say, PC, console and mobile revenues and margins.

Matthew Hammond: We could certainly consider that.



Svetlana Sukhanova, Sberbank CIB: It would be very helpful at least once this year by the back –

Matthew Hammond: I'll take it under advisement. I'll think about it without promising you anything.

Svetlana Sukhanova, Sberbank CIB: Thank you, very much for listening. And my second question, if I may, would be about this history. We all know what happened with Armored Warfare. We all know or discussed what you said is the old games, but it was one of the games which you competed[?] down [inaudible]– World of Speed. So, I wondered if, can you have completely written it down, or is anything happening to that game, should we expect?

Fedor Rubtsov: I think I can answer this. So, yes, you're right. [Inaudible], they were able to sell us [inaudible]. It is their most successful operating goals we will get some royalty. However, in our balance sheet, it [inaudible] zero.

Speaker: Okay, but do you have the visibility[?] to [inaudible]?

Speaker: Well, we're not really betting on a lot of upside. Although [inaudible]. However, in case they're successful, we'll get some upside, of course, that we are currently not accounting for.

Speaker: Yes, thank you.

Tatiana Volochkovich: Excellent. Unfortunately, we have to conclude here. Thank you, everyone for joining us today, whether in person or on the line. I hope the event was very useful. We welcome you to send follow-up questions, and we'll be happy to provide further colour if something wasn't clear. The presentation will be on the website sometime later today in the



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Press Release section. Again, thank you very much, and we'll see again soon. Operator, we're ready to conclude.

Operator: Thank you, ladies and gentlemen. This concludes today's call. Thank you for your participation. You may now disconnect.