

We have recently hosted a **teach-in on MY.GAMES, our core Games division**, with data around the structure of MY.GAMES, including split by platforms and regions, growth and profitability drivers, key franchises and ongoing diversification, including through M&A. Webcast replay can be found [here](#) and referenced slide deck is [here](#).

In addition, for reference please also see **FAQs** below.

We are very confident in prospects of MY.GAMES, which has >700mn in registered users (>25mn MAU), ~80 active games in its portfolio developed by 12 internal development and publishing studios and 23 MGVC studios (including 5 consolidated) and sold across >190 countries with 74% of revenues coming from outside Russia & CIS as of 2Q20. We are among top-50 gaming companies globally, having grown ~3x faster than the market since 2015, but we do not intend to stop here, with an ambition to continue to outgrow the market and a goal to double MY.GAMES reported EBITDA by FY22 vs 2018 level.

**Q:** *How does MY.GAMES differ from other global online gaming companies?*

**A:** Some of the key differentiating features of MY.GAMES include: 1) cross-platform business nature; 2) vertically integrated structure as MY.GAMES publishes, develops and invests into games across multiples genres, platforms and countries and creates gaming services, including an international MY.GAMES Store; 3) scale, having >700mn registered users, >25mn MAU and being among top-50 global games companies in terms of revenues; 4) diversification in terms of genres, titles and studios, with ~80 live games and another 15 in the pipeline; 5) focus on mobile games, which is the fastest growing segment of online games market; 6) high level of experience, with >10 years of development history and senior management reps with 20+ years of industry experience; 7) solid M&A track record through MGVC, but with 90%+ of annual growth thus far being organic; 8) access to the broader ecosystem of MRG and its social networking expertise; 9) partnership model of working with portfolio studios.

**Q:** *What are the strategic pillars of MY.GAMES?*

**A:** 1) Ongoing portfolio diversification in terms of genres, titles and geographies, including through M&A; 2) further international expansion, including through partnerships; 3) expansion in the number of franchise titles; 3) further strengthening of MY.GAMES brand; 4) support of internal talent and creativity.

**Q:** *What have been the main pillars behind superior growth of MY.GAMES vs the broader games market in recent years?*

**A:** It has been driven by the combination of: 1) diversification in genres and studios; 2) increasing shift towards mobile, which is fastest-growing platform globally; 3) expansion into broader geographies; 4) active games launch schedule; 5) solid execution around launches; 6) value accretive M&A of mainly early-stage studios where we have been able to scale products quite significantly given our global reach.

**Q:** *Has the growth of MY.GAMES been ARPU or user growth driven.*

**A:** Both as MAU has expanded by >50% in the past 3 years to 25mn+, with the number of registered users growing ~2x during the period.

**Q:** *What is the typical gap between engagement and monetization of your games? How long does the user tend to spend in a game before he starts paying for in-game items?*

**A:** This highly depends on the product type, genre, distribution model and game mechanics. For successful MY.GAMES projects on mobile – 50% of paying users start to pay during the first day, while on PC - 50% of paying users start to pay during the first week.

**Q:** *What makes MY.GAMES a truly global online games company?*

**A:** We distribute games across 195 countries. Only 31% of MY.GAMES revenues came from Russia & CIS in 2019, with the rest being international including 37% coming from EMEA (ex Russia & CIS), 24% coming from the Americas and 8% from Asia. Fastest-growing regions since 2016 have been Asia (111% CAGR for 2016-19 in RUB) and the Americas (79%). It is likely that the US will become our largest country by revenues in 2020, surpassing Russia.

**Q:** *What is the rationale behind increasing internalization of MY.GAMES?*

**A:** MY.GAMES continues to hold a leading position on the Russian gaming market, but this is not enough to ensure superior growth and rising scale. Global gaming market is ~80x larger than the Russian gaming market and rising internationalization has been the fuel behind MY.GAMES revenue CAGR of 40% in \$ in 2016-19. As of 1H, 72% of MY.GAMES revenues were from non-Russia/CIS markets.

**Q:** *Which are your largest international markets?*

**A:** Top-10 international market for MY.GAMES include the US (37% of international revenue), Germany (7%), Japan (5%), France (4%), UK (4%), Canada (3%), China (3%), South Korea (2%), Italy (2%) and Australia (2%). They accounted for 69% of international revenues of MY.GAMES as of 1H20. The share of the US has risen the most, from 32% in 2017 to 37%. International revenue share is expected to grow towards 80%+ in 2022.

**Q:** *Does MY.GAMES have ambitions in Asia?*

**A:** Asia is one of the most attractive gaming markets globally given its 47% global share in revenues. It offers a significant potential opportunity for MY.GAMES given the low base of only 8% of revenues coming from Asia in 2019. Some games already have presence in the region, including the success of War Robots in Japan. Asia has been the fastest-growing region for MY.GAMES, with 111% CAGR since 2016 and China accounts for 3% of international revenues of MY.GAMES. Yet, we acknowledge difficulties in expanding operations in parts of Asia given regulatory constraints and need for local partnership and game adoption. Hence, major expansion there is not currently included in our base case forecast.

**Q:** *What has been the rationale behind rising mobile revenue share for MY.GAMES?*

**A:** Similarly to internationalization, shift to mobile has been the fuel for growth of MY.GAMES, with mobile being the fastest-growing segment of online games market (12% growth in 2019 vs -2/2% for PC/console). Also, the mobile games business is less risky due to the fact that key investments are aimed at promotion, which is conducted only if there is positive ROI. Hence, the rise in mobile revenue share from 24% in 2016 to 64% in 2019. Mobile revenue share is expected to reach ~80% in 2022.

**Q:** *Why has profitability of MY.GAMES been under pressure?*

**A:** Given the ongoing shift to mobile, which leads to lower margins than for pure PC business but provides for double digit revenue growth as well as growth of absolute level of EBITDA.

**Q:** *How diversified is MY.GAMES?*

**A:** The revenue structure is highly diversified and balanced between different platforms and content sources, with focus on own IP, but also access to licensing and contribution from M&A. Top-5 games contribute 68%, down from 72% in 2017. ~50% of revenue comes from products that have been in operation for 5+ years. We cover all the largest genres in mobile with focus on RPG and shooter games in PC and console.

**Q:** *How do you evaluate the quality of own IP?*

**A:** As of August, MY.GAMES had 5 games among top-200 highest-grossing games in major European countries, putting MY.GAMES among top-10 publishers in the region. With 3 such titles in the US, second largest global games market, MY.GAMES ranked among top-20 local publishers. Our key franchise games enjoy superior user ratings across mobile stores.

**Q:** *What is in the target release pipeline for 2H20 and beyond?*

**A:** We are committed to releasing at least 2 PC / console titles and 4 mobile games every year. So far in 2020 we have launched 3 new mobile products (World Above, Warface GO, Dino Squad), 2 console games (Warface Breakout on PS4 and Xbox, Warface on Switch) and completed consolidation of Belngame with its Zero City mobile title. We have 15 games in development pipeline, including 6 games suitable for launch in the next 6 months. However, immediate focus is on maximizing user retention from cohorts acquired during the peak of the pandemic through enhancements across existing portfolio titles.

**Q:** *What is the typical lifetime of games and gamers within MY.GAMES?*

**A:** 5+ year-old games contribute ~50% of MY.GAMES revenue, with MY.GAMES have not yet shut down any of the top-10 revenue generating titles. For example, such top title previously like Allods has been around for 14+ years now. Warface is 8+ years. War Robots is 6+ years etc. When comes to gamers - this highly dep on genre / game (casual/mid-core) etc

**Q:** *How heavy is the reliance on licensing for MY.GAMES?*

**A:** The share of licensing revenue has been declining from 2018 and stands <10% of total revenues.

**Q:** *How does MGVC work and how do your approach partnerships?*

**A:** MGVC investment fund was launched in 2017 to make targeted acquisitions globally in order to further diversify and enhance MY.GAMES by seeking new franchise titles. MGVC helps gaming companies expand into new segments, develop their projects and grow their businesses as they benefit from our status of a marketing expert and global games publisher. We are partners with 23 studios, having evaluated 1,000 studios since 2017.

**Q:** *Are there synergies with the social media business unit?*

**A:** Yes, but mainly around traffic in Russia/CIS as MY.GAMES is not focused on production of social games. At the same time, borders between games and social networks are blending, with games becoming more social and immersive, which provides for broader synergies between the two divisions in the future.

**Q:** *How do you monetize games?*

**A:** We are experts in F2P games and monetize mainly through in-game item sales. However, the share of advertising grew by 25x since 2016 and accounts for ~10% of mobile revenues. This is largely the result of our diversification in terms of genres as some genres within mobile monetize mainly through ads, especially in casual and hyper-casual categories. Plus, we have been using ads as a way to monetize non-paying users across our portfolio. We are also experimenting with ideas around P2P and subscription-based monetization models.

**Q:** *How heavy is reliance on M&A for MY.GAMES in terms of growth?*

**A:** M&A historically contributed less than 10% of annual revenues so growth has been largely organic.

**Q:** *What is the M&A track-record of MY.GAMES?*

**A:** MGVC has completed 5 studio consolidations. Largest transaction was Pixonic (\$30mn), which grew revenues 5.5x since its consolidation in 3Q16. Some of the most recent transactions include SwagMasha (Love Sick), where revenues increased by 1.7x since consolidation in 3Q19 and Belngame (Zero City) where revenues grew by 1.6x between January and July this year. Our M&A strategy is focused on acquiring products and studios that can leverage the synergy with MY.GAMES ecosystem to grow the business value multiple times.

**Q:** *How did MY.GAMES growth compare with the growth of the broader market in 2Q?*

**A:** According to Sensor Tower data, customer spending across mobile games globally grew by 21.2% YoY in H1, which compares to ~40% growth of in-app spending across MY.GAMES portfolio during the period. This suggests that MY.GAMES has grown ~2x faster than the market YTD despite the rather slow start to 2020, as we have budgeted for and seen low teens growth in Q1.

**Q:** *MY.GAMES performance in Q2 – how much was lockdown related vs new games launches related?*

**A:** We saw a combination of effects including: 1) new launches; 2) FX weakness; 3) lockdown behavior change across the portfolio. Largest contribution was from lockdown behavior, followed by FX and then new launches as new launches contribute low single digit % of revenues

**Q:** *What was the growth in new users during lockdown and how is churn of such users post normalization?*

**A:** During the peak of lockdowns, which happened globally (ex China) in April, MY.GAMES added 50% more new users than in April last year, while retention metrics of these users have been very close to the metrics of cohorts acquired pre-covid. The rate of growth of new users has now fully normalized. MAU has been stable in July-Aug despite no new launches. Engagement has normalized.

**Q:** *Has the pandemic changed the strategy of MY.GAMES?*

**A:** Strategy has not changed. We spent a lot of effort in maximizing impact of lockdowns by increasing the frequency and depth of in-game events across all our mobile titles, refining tutorials to simplify entry for new users and increase engagement, improving marketing performance through A/B test extension and more tailored offers. We tried to deliver a vast variety of content while facing the challenge of meeting publishing commitments while working remotely. Our results demonstrate that we have successfully navigated through the most challenging period, being agile, quick to change and adapt across our gaming ecosystem.

**Q:** *What is the ultimate ambition of MY.GAMES?*

**A:** To become top-25 online games company globally. In 2019, MY.GAMES generated \$483mn in revenues and ranked 42<sup>nd</sup> globally in terms of revenues, while top-25 players generated \$1.3bn+.

**Q:** *Do you see competition in gaming rising?*

**A:** Yes, as the market is consolidation, with 85%+ of revenues coming from top-50 players. Plus, Asian companies have been branching more and more outside their home market. However, the market is growing fast as well and we have multiple competitive advantages and hence we see ourselves as among the consolidators.

**Q:** *Who can be considered as key peers for MY.GAMES?*

**A:** Global games companies offer major differences in their profitability and growth profiles as these depend on: 1) diversification by platform and territory, 2) scale of their products and size of the catalogue as well as number of franchise titles, 3) licensing vs own IP; 4) activities around new launches. Most comparable companies to MY.GAMES today include mobile-focused names like Zynga, NcSoft, Glu mobile, Stillfront, Netmarble, SciPlay, and Gree, among others.

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**About Mail.ru Group**

Mail.ru Group is an evolving ecosystem of services, helping millions of people with their day-to-day needs online. More than 90% of the Russian internet audience use the company's products.

The Mail.ru Group ecosystem enables people to keep in touch (using social networks OK and VK, messaging apps and email service), play video games (via MY.GAMES), get and offer items and services, browse jobs and hire talent (via Youla and Worki), master new skills (GeekBrains, Skillbox and other educational services), stay informed (Mail.ru portal), and offers many other activities. The ecosystem also includes Mail.ru Group's own smart speaker Capsule with the Marusya voice assistant. Mail.ru Group services allow quick authorization via VK Connect.

Another important component of the ecosystem is the Mail.ru Group-Sberbank joint platform, which includes Citymobil, Delivery Club, Samokat and other services for ordering food or grocery delivery, ride hailing or booking a car. The company also owns a share in AliExpress Russia, a platform allowing to order almost any item online.



The company offers enterprises to employ its dynamic ecosystem to digitize their business processes, providing a range of solutions from online promotion to cloud services.