



Mail.ru Group

MY.GAMES Overview & Strategy

September 3, 2020

MY.GAMES – A ~YEAR AFTER



We hosted our initial teach-in on the Games division last May. Below are the highlights around progress made since around execution on MY.GAMES strategy, including around further diversification, globalization and growth in market share

+8 new launches

Including 4 mobile, 2 PC, 2 console and 80 Games in operation currently

+27% in users

To 700 m in registrations

+26% revenue

For MY.GAMES in 2019, in line with set mid-term targets. MY.GAMES is now among top-50 games companies globally

+12 games in development

To 15+ in total

+300 employees

To 1800+ in total, with Games being our largest division in terms of headcount

+3 new studios

With 12 in-house and 23 MGVC studios

MY.GAMES Store launch

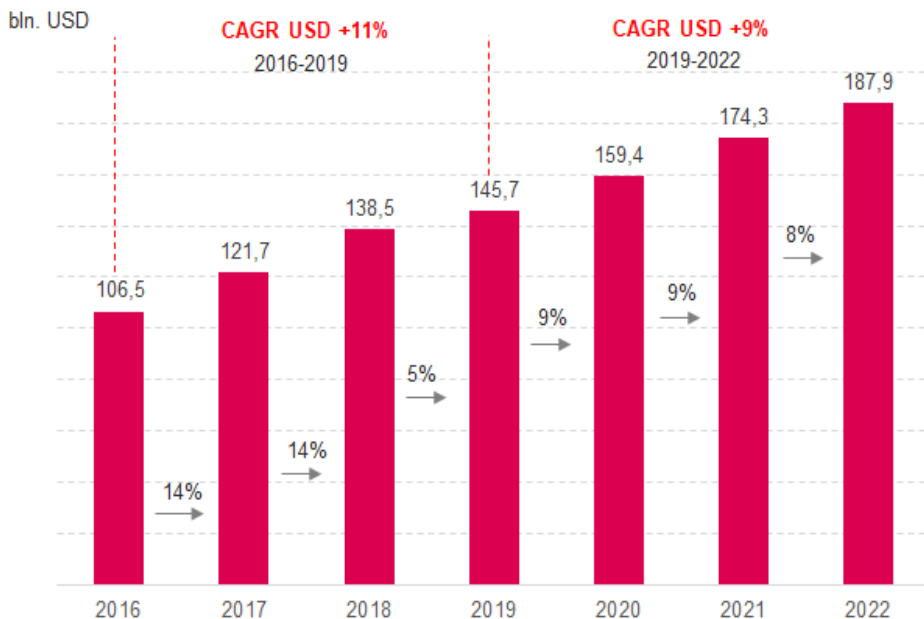
With own and third-party PC titles available to users on one platform

GAMES MARKET VALUE

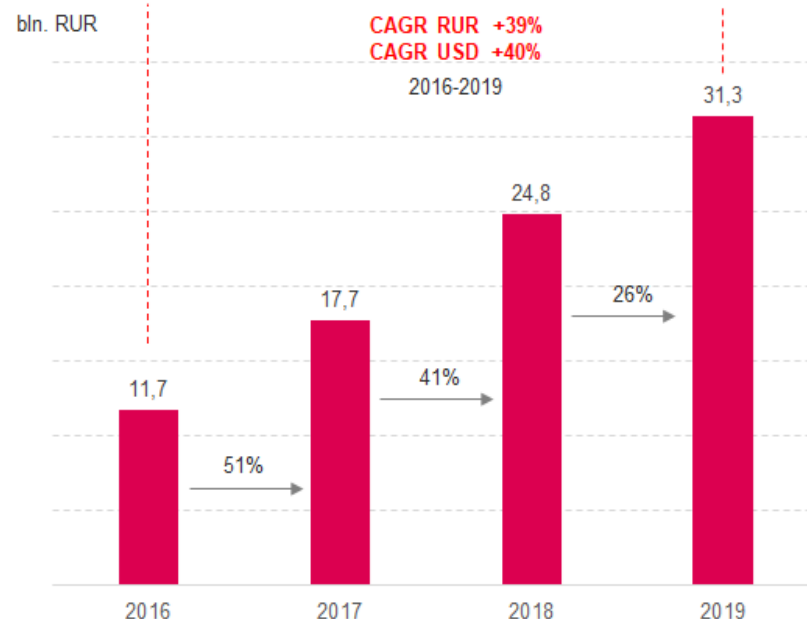


MY.GAMES has been growing revenues ~3x faster than total games market over the past four years

Global Games Market Value*



MY.GAMES Revenue



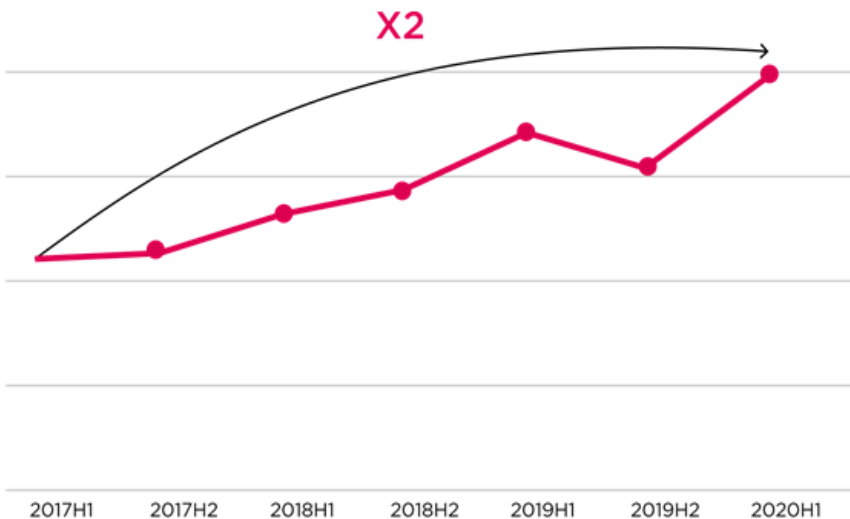
* Source: Newzoo, April 2020

AUDIENCE GROWTH

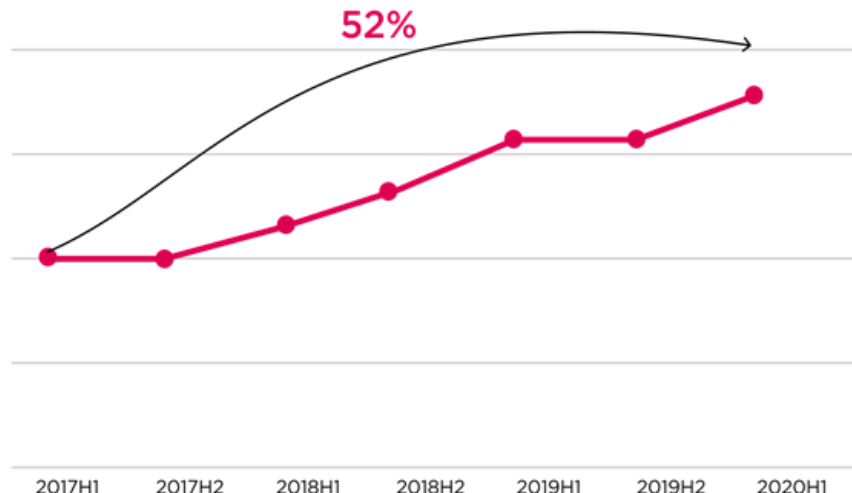


The number of registered MY.GAMES players at the end of the 1H20 reached ~700mn* globally, while MAU grew by 50%+ over the last three years

New Registered Users



Monthly Active Users



* registered accounts have been counted since 2013

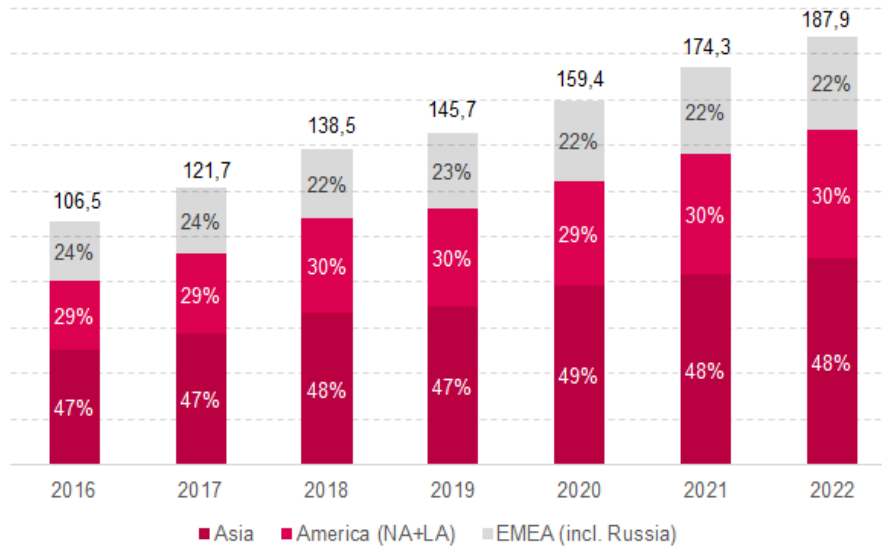
REVENUE SPLIT BY REGION



MY.GAMES continues to transform from a local into a competitive international player with focus on NA and EU regions, aiming for >80% of revenues from international markets by FY22

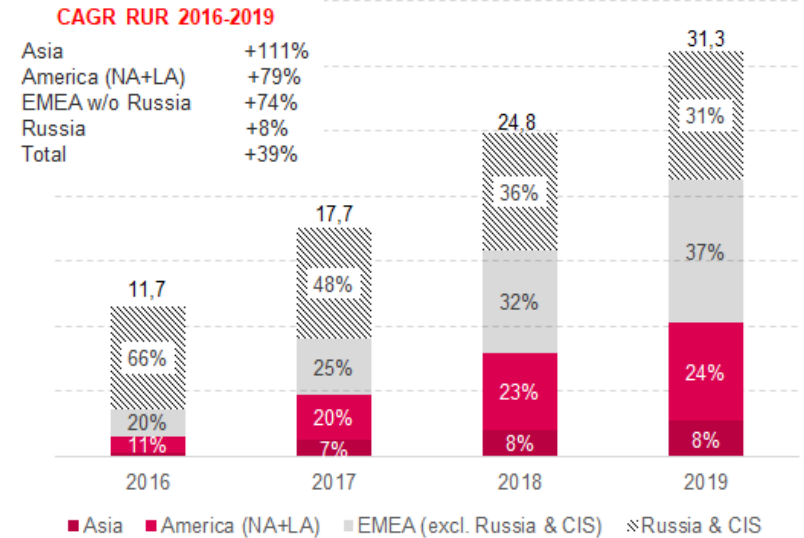
Market Regional Split*

bln. USD



MY.GAMES Regional Split

bln. RUR



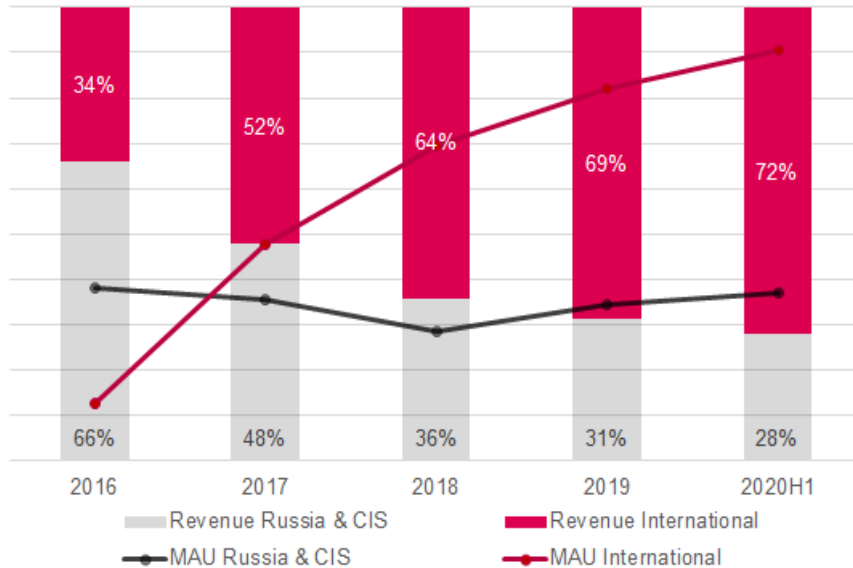
* Source: Newzoo, April 2020. Updated calculation method includes full revenues of MY.GAMES, including advertising.

RATIONALE BEHIND INTERNATIONAL EXPANSION



MY.GAMES continues to hold a leading position on the Russian gaming market. However, as the global gaming market is ~80x larger than the local market (~\$150bn vs. ~\$2bn in 2019 resp), MY.GAMES continues to expand globally in order to maximize growth and scale

MY.GAMES Revenue Split*



International Revenue Split*

Rank	Country	2017	2020H1
1	United States of America	32%	37%
2	Germany	8%	7%
3	Japan	4%	5%
4	France	5%	4%
5	Great Britain	4%	4%
6	Canada	3%	3%
7	China	2%	3%
8	South Korea	2%	2%
9	Italy	1%	2%
10	Australia	2%	2%

Total Top 10 International territories: 63% 2017, 69% 2020H1

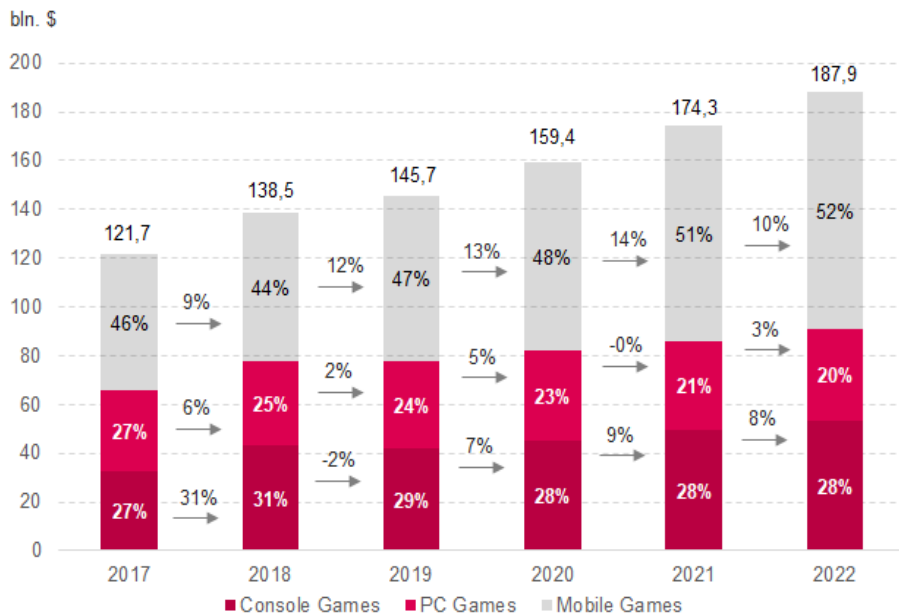
* Source: Newzoo, Internal data.

REVENUE SPLIT BY PLATFORM

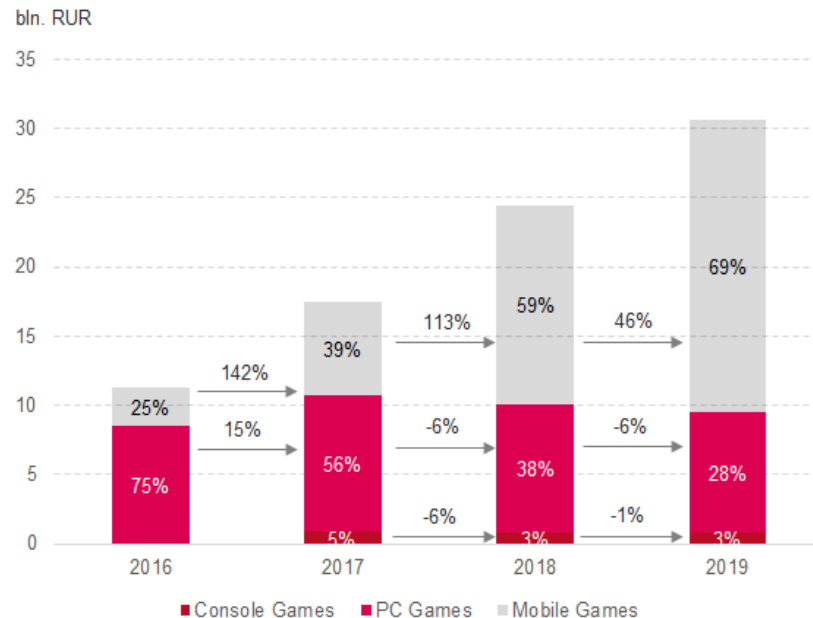


Global games market growth continues to be driven mainly by mobile, while PC & console remain largely stable. Hence, our continued focus on mobile as well, with targeted ~80% share of mobile revenue by FY22

Market Value Split*



MRG Games Revenue Split



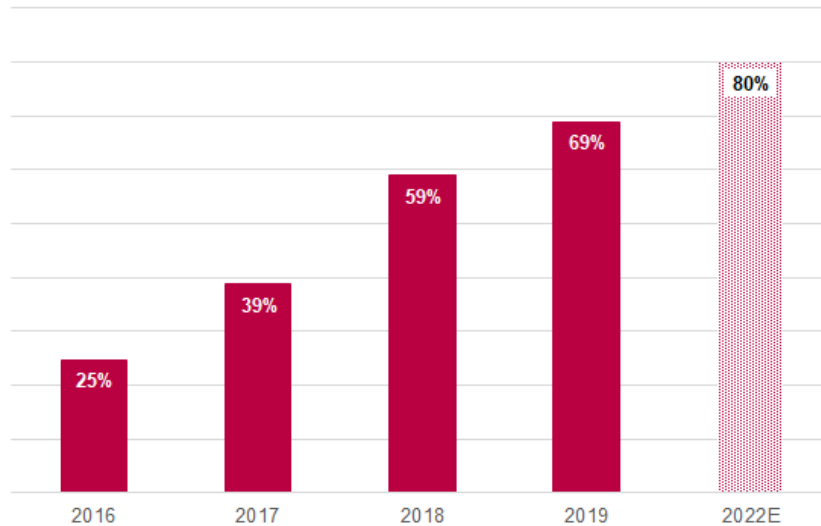
* Source: Newzoo, April 2020. Updated calculation method includes full revenues of MY.GAMES, including advertising.

RATIONALE BEHIND THE ONGOING SHIFT TO MOBILE



MY.GAMES has been pursuing a strategy of shifting from a PC business towards mobile and plans to generate 80%+ of revenues from mobile by FY22. This means transition towards lower level of margins but allows for double digit revenue growth while minimizing risks coming from significant upfront investment requirements during PC development

Share of Mobile Revenue



	PC	MOBILE
Gaming audience	1.3bn in 2020	2.6bn users in 2020
Timespent in games	1,59h per week	2,01h per week and grow
Mon. model	B2P mainly	F2P mainly (+ads monetisation)
Key investments	upfront development cost	marketing cost during ops
Market value growth	4.8% yoy in 2020	13.3% yoy in 2020 - the fastest
Margin	higher margins	lower margins

PEERS



Global games companies offer vast differences in their profitability and growth profiles, which depend on: 1) split by platform; 2) scale; 3) licensing vs own IP; 4) access to franchise titles; 5) breadth of portfolio including activity around new launches, among other factors. Our core peers should be seen as mobile-focused gaming companies given the vast difference in profitability between mobile and other platforms, which is structural

Company Name	Ticker	REVENUE GROWTH		EBITDA MARGIN		EV/EBITDA		P/E	
		CY2020E	CY2021E	CY2020E	CY2021E	CY2020E	CY2021E	CY2020E	CY2021E
Ncsoft Corporation	036570-KR	53%	29%	39%	43%	15,1	10,5	23,9	16,7
Glu Mobile Inc.	GLUU	31%	6%	10%	13%	17,3	12,7	22,6	18,0
Rovio Entertainment Oyj	ROVIO-FI	-5%	4%	19%	16%	7,9	9,0	16,3	17,9
G5 Entertainment AB	G5EN-SE	14%	7%	20%	20%	11,8	11,0	24,8	22,5
Zynga Inc.	ZNGA	40%	22%	23%	24%	19,0	14,6	22,1	19,3
Stillfront Group AB	SF-SE	122%	19%	41%	41%	17,4	14,4	31,0	25,2
Netmarble Corporation	251270-KR	17%	10%	14%	17%	37,0	28,8	NM	41,5
Dena Co Ltd	2432-JP	0%	3%	1%	15%	NM	8,8	NA	20,1
SciPlay Corporation	SCPL	21%	3%	32%	32%	8,4	8,3	13,9	12,9
Bilibili Inc -Ads	Bili	70%	42%	-13%	-3%	NM	NM	NM	NM
Gree Inc	3632-JP	-5%	0%	6%	6%	4,2	4,8	38,0	38,9
MEDIAN		20,7%	7,4%	19,1%	16,7%	15,1	10,7	23,3	19,7

TOP GLOBAL GAMING COMPANIES



With tens of thousands of gaming companies in the world MY.GAMES is already among the top-50 players (\$483mn revenue in 2019) with a goal to be among top-25 largest global players in the medium term. This will require MY.GAMES to grow ~3x, which we believe is achievable due to fact that MY.GAMES expanded by ~3x over the past 4 years

Number of gaming publishers / developers for different platforms



tens of thousands



thousands



hundreds

Top Global Gaming Companies

Rank	Company
1	Tencent
2	Sony
3	Apple
4	Microsoft
5	Google
	...
25	Konami
	...
41	AT&T
42	MY.GAMES
43	Moon Active

} \$1,3Bn+ in 2019.

OUR STRATEGIC PILLARS



1. Diversified Portfolio

Maintain a well-diversified portfolio, with a constant flow of products with high potential, including through value-accretive M&A

3. Franchise Development

Create and develop own viable gaming franchises as WF, WR, HC, with focus on own IP



2. International Expansion

Boost international expansion, including through partnership with local experts

4. Global Brand

Grow MY.GAMES brand ensuring its high recognition and positive perception among players, partners and employees

5. Grow Talents

Build a strongly performing team with an agile mindset and versatile professional capabilities

MY.GAMES ECOSYSTEM



MY.GAMES is a well-balanced combination of versatile games creative production capacities and a powerful set of shared ecosystem services, which allow us to reduce hit-driven business risk while we continue to invest resources into people and talents and scale this approach

Content Delivery Capacities

Development



10 in-house dev studios

112 titles launched
15 titles in development

Licensing



Bus Dev and Global Operation Department

61 titles launched

Investment



MGVC (M&A arm)

5 acquisitions
23 early-stage investments

Gaming-related B2C & B2B projects

Gaming Media

Gaming Platform

Gaming Services

Ecosystem Services accessible to all studios



Management & Sharing Experience



HR / Legal / Finance



Platforms Relationship



Marketing & PR



Analytic & technologies

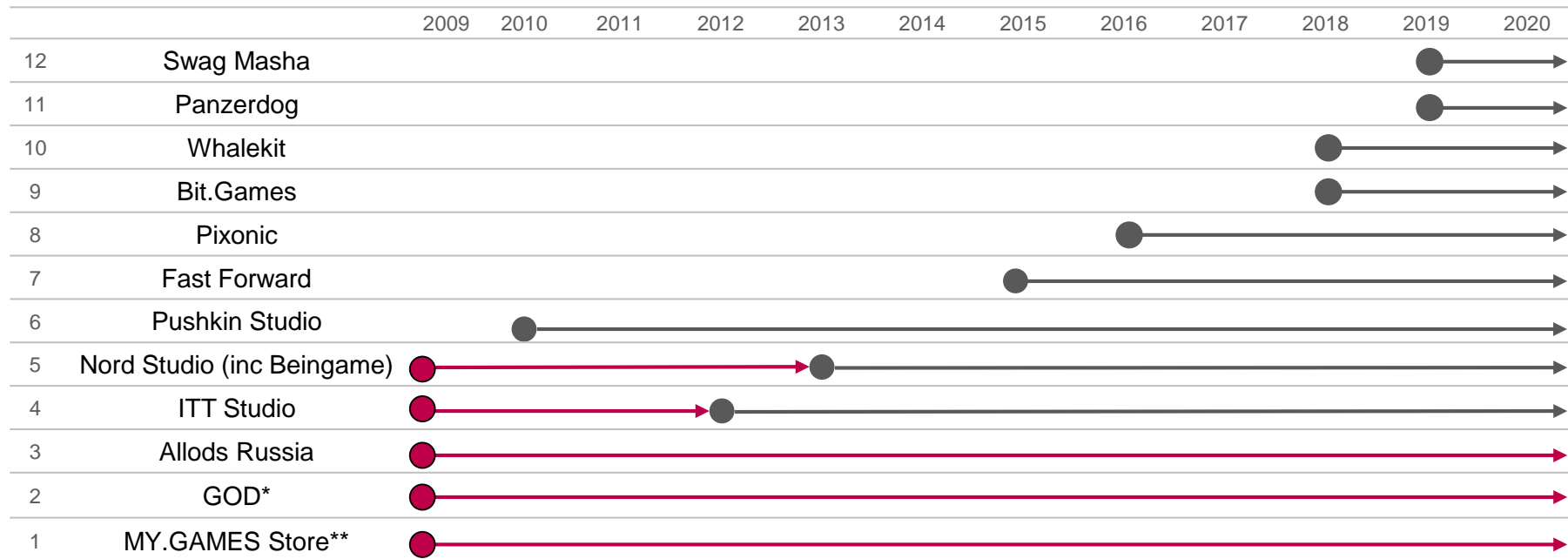


Publishing & Tech Support

IN-HOUSE DEV STUDIOS & PUBLISHERS



MY.GAMES portfolio includes 12 in-house studios covering development and publishing. Each Studio has its own unique culture and business approach towards reaching set results



* GOD – Games Operation Department

** former Platform dept

● Mobile Developers

● PC / Console Developers & Publishers

MY.GAMES STRUCTURE



MY.GAMES offers a well-diversified portfolio of studios with established titles and experienced management teams with strong technical education, as most of the managers have graduated from top Russian technical universities. The average management experience in the industry is 15 years

	Studio	Start Year	Team	Titles in Ops	Specialization	Hit titles	Management Experience
1	IT Territory	2004	225	26	Mobile Developer	Evolution, Hawk	16 years
2	Pixonix	2009	202	2	Mobile Developer	War Robots	6 years
3	Global Operation Department	2006	196	19	PC/Console Publisher	Warface	12 years
4	Allods Team	2006	188	4	PC/Console Developer	Warface Breakout	15 years
5	Whalekit	2004	113	2	Mobile Developer	Left to Survive	20 years
6	Studio Nord	2007	112	7	Mobile Developer	Hustle Castle	18 years
7	BIT.GAMES	2002	82	2	Mobile Developer	Guild of Heroes	18 years
8	SWAG MASHA	2018	63	2	Mobile Developer	Love Sick	2 years
9	MY.GAMES Store	2006	56	8	PC/Console Publisher	Store	14 years
10	Panzerdog	2016	42	1	Mobile Developer	Tacticool	15 years
11	Pushkin Studio	2010	25	2	Mobile Developer	Arwored Warfare Mobile	18 years
12	Fast Forward Studio	2015	5	1	Mobile Developer	American Dad	5 years
	MGVC		19				20+ years
	Ecosystem Services		251*				10 years
	Management Team		5				20+ years

* >80% headcount is in Tech Support, Marketing and Analytic & technologies

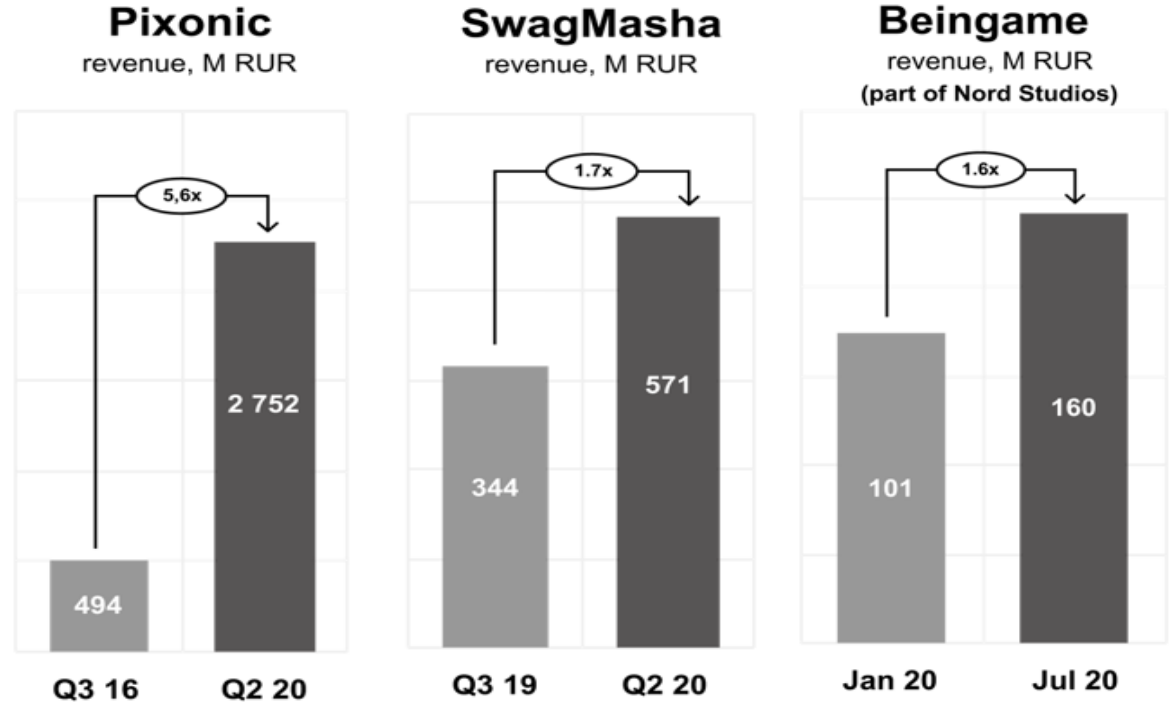
M&A TRACK RECORD



Our M&A strategy is focused on acquiring products and studios, which can leverage synergies with the broader MY.GAMES ecosystem in order to grow own business value multiple times

M&A focus areas:

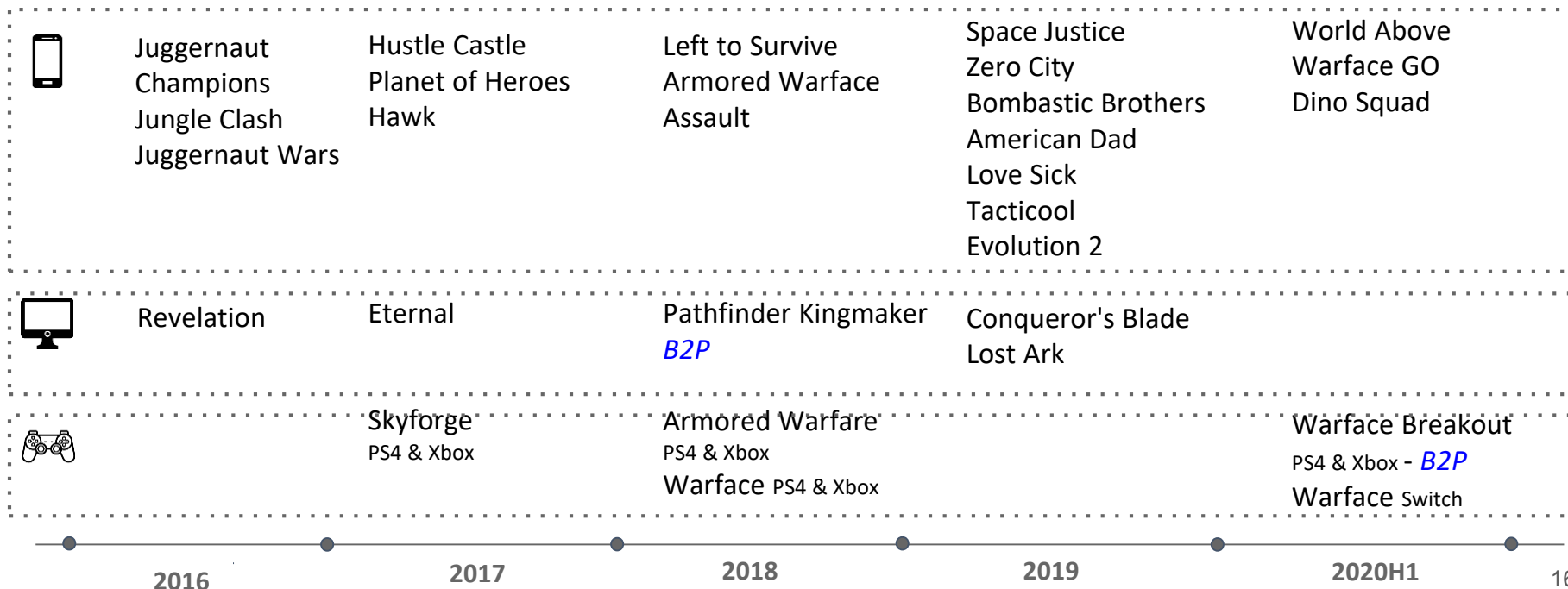
- Small, early-stage companies with the prospect of capturing possible future value creation (Pixonic)
- Studios that specialize in development of games in a genre for which MY.GAMES has no internal expertise (Swag Masha)
- Studios with an under-monetized or under-engaged audience for the purpose of using MY.GAMES' internal analytics, product development, live operations, and user acquisition systems to increase the acquisition property's value (Bit Games, Beingame)



RECENT LAUNCHES



Our diverse production facilities and partner approach to Studio management ensure constant updates of the product line-up with strong new games as a necessary condition for our stable and solid growth. There are 15 games currently in development across PC/consoles & mobile, 6 of them can be ready for release in H2 2020, although current focus remains on further enhancement of titles in operation and post-lockdown user retention given solid execution towards 2020 budget



* Source: Internal data

REVENUE DIVERSIFICATION



MY.GAMES portfolio includes ~80 games in operation (new launches and back-catalog). Revenue structure is well-diversified across platforms, with focus on own IP, but also access to licensing and contribution from M&A. Top 5 games account for < 70% of total revenue, down from 73% in 2017. Nearly 50% of revenues comes from titles, which are 5+ years in operation

Top 10 Titles, 2020H1

Rank	Product	Platform	Source
1	War Robots	Mobile	Investing
2	Warface Franchise	PC/Consoles/Mobile	Developing
3	Hustle Castle	Mobile	Developing
4	Left to Survive	Mobile	Developing
5	Love Sick	Mobile	Investing
6	Zero City	Mobile	Investing
7	American Dad	Mobile	Developing
8	Lost Ark	PC	Licensing
9	Tacticool	Mobile	Investing
10	World Above	Mobile	Developing

Revenue Structure Share of total gaming revenue

Titles	2017	2020H1
Top 5 Products	73%	68%
Top 10 Products	87%	80%

Titles	2020H1
New Releases 2020	2%
1-2 years in ops	26%
3-4 years in ops	24%
5+ years in ops	48%

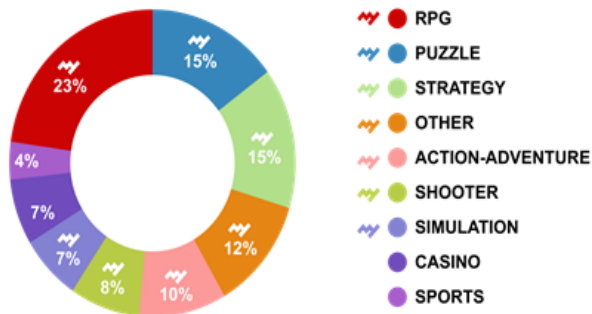
GENRES DIVERSIFICATION



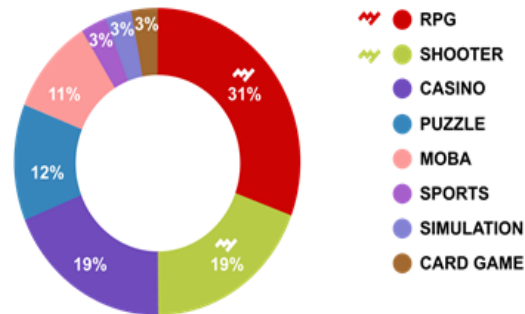
We develop games in genres targeting the broadest possible audience. Our key genre expertise is in the shooter genre, which is among the most popular globally (e.g. Breakout). But we are also constantly looking for new genres and their combinations to expand our audience (e.g. Hustle Castle)

Global Genres Portfolio

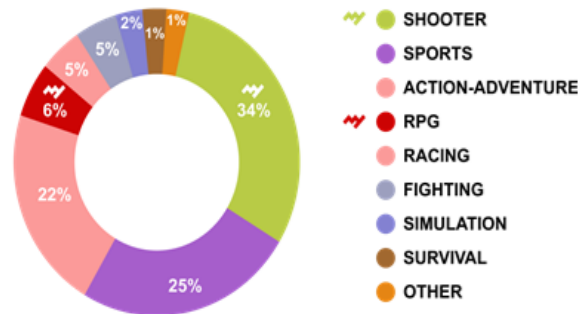
MOBILE GENRES BY REVENUE 2019



F2P PC GENRES BY REVENUE 2019



CONSOLE GENRES BY REVENUE 2019



MY.GAMES has games in these genres

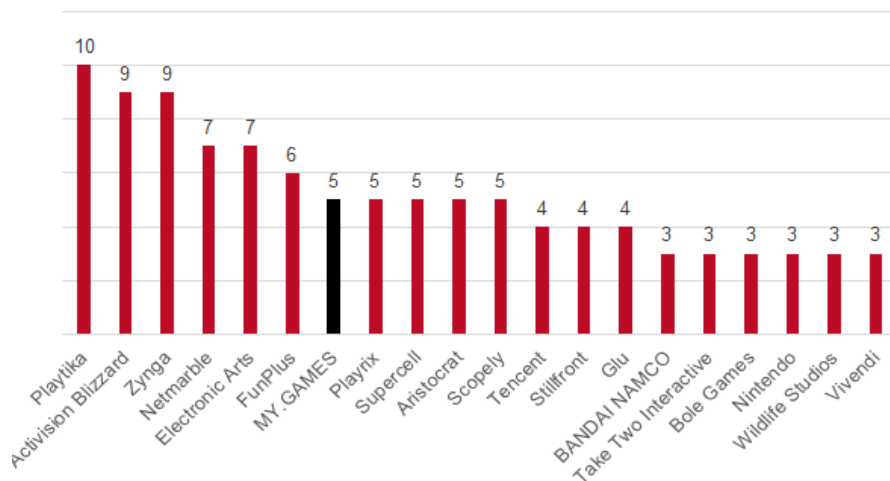
HIGH PRODUCT RANKINGS



Five of our mobile games are among the Top-200 highest-grossing games in major European countries, putting MY.GAMES among the top-10 game publishers in Europe by the number of hits and among the top-20 in the US, top-2 global games market

Key European Countries*

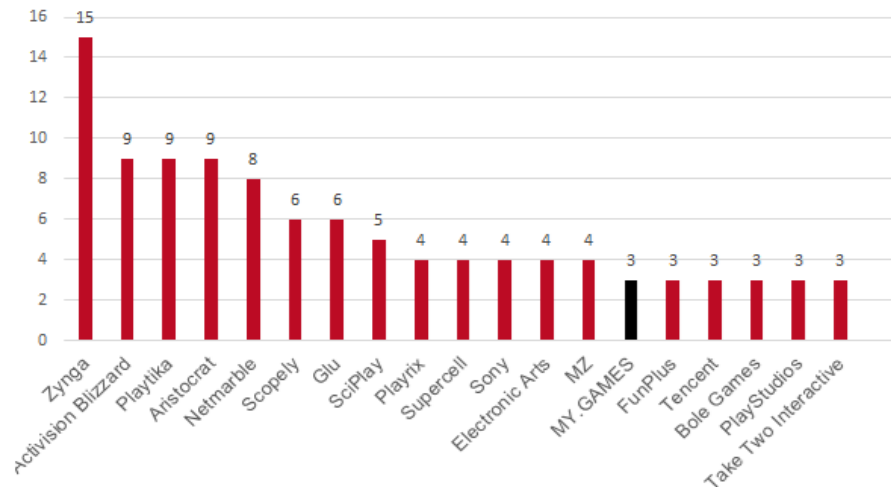
iOS+Android. Top-200 grossing games by publisher. August, 20*



*France, Germany, Great Britain, Italy, Spain

United States of America

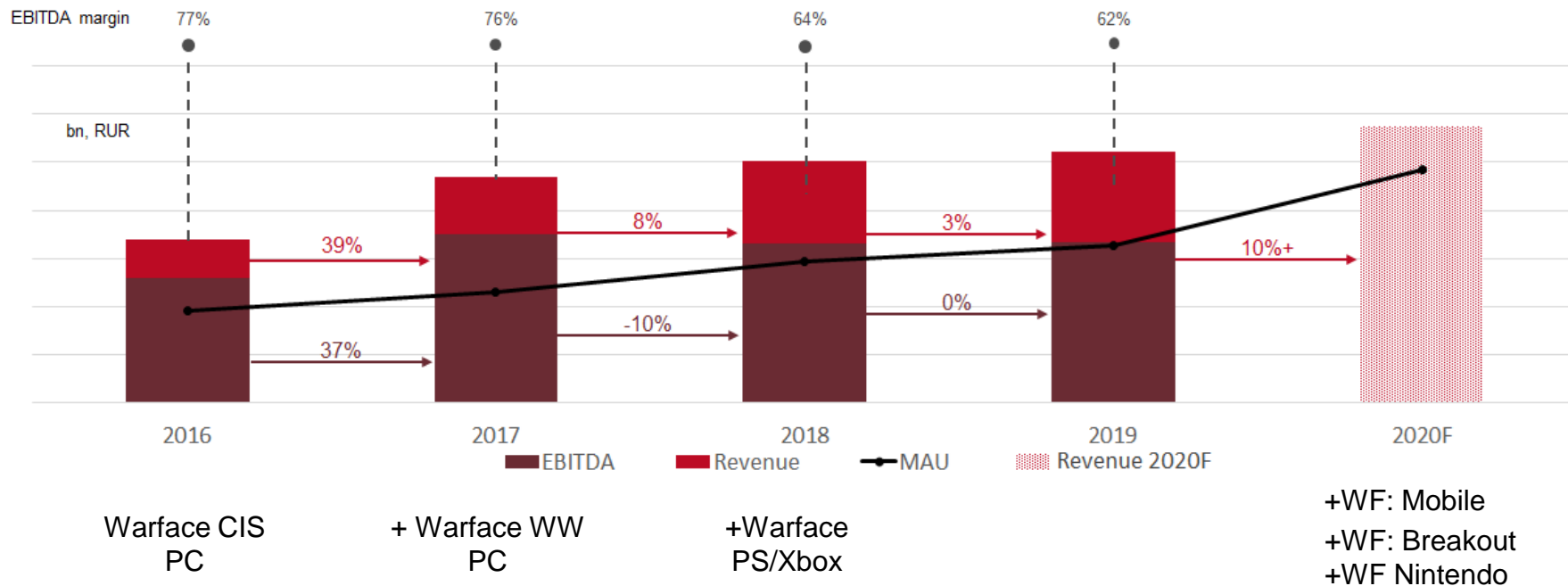
iOS+Android. Top-200 grossing games by publisher. August, 20



TOP TITLES: WARFACE FRANCHISE



Warface is our most diversified franchise, which has been demonstrating consistent revenue growth for the past 6 years. Warface is now available on five platforms across PC, console and mobile. In May 2020 MY.GAMES launched **Warface: Breakout**, a premium P2P tactical first-person shooter on Xbox One and PlayStation 4

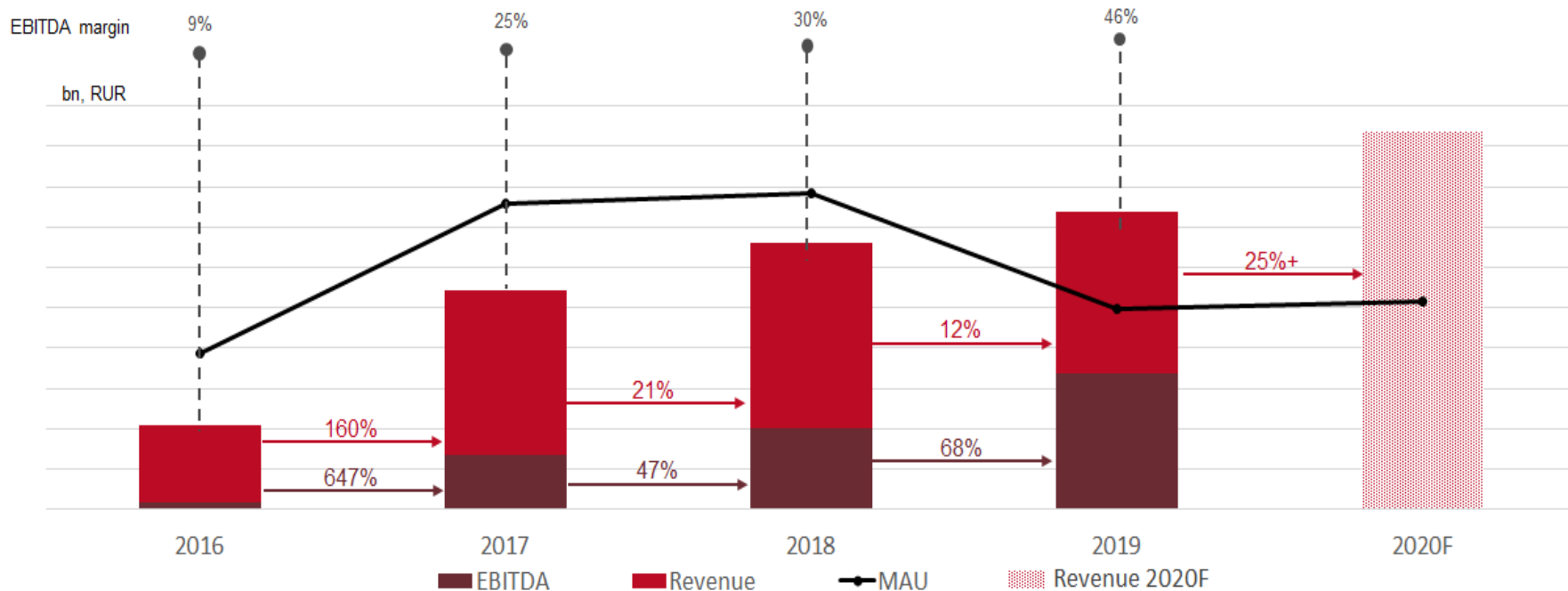


* excluding corporate allocations

TOP TITLES: WAR ROBOTS



War Robots is the most successful product in our current product line. It has been demonstrating stable growth of all financial indicators throughout its life cycle with significant growth of margin from 10% in 2016 to 46% in 2019



TOP TITLES: WAR ROBOTS

Our top games get top reviews. The key positive reviews on War Robots focus on: Good gameplay, robots customisation and PVP

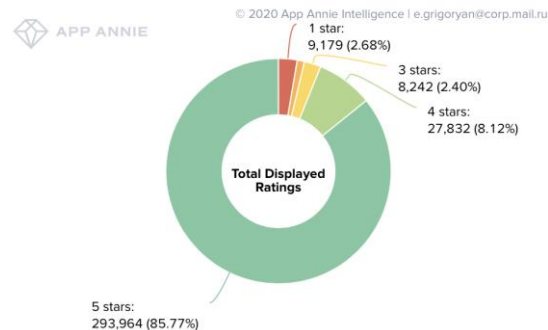
“Awesome why not love it, it is a great game with immersive gameplay and lots of customization option for your robots the system for multiplayer is great, and I am an of of the game playing since 2014 and it has evolved into a fantastic game I reccomend as I also play it!”

“This is one of the best online pvp game I have ever played”

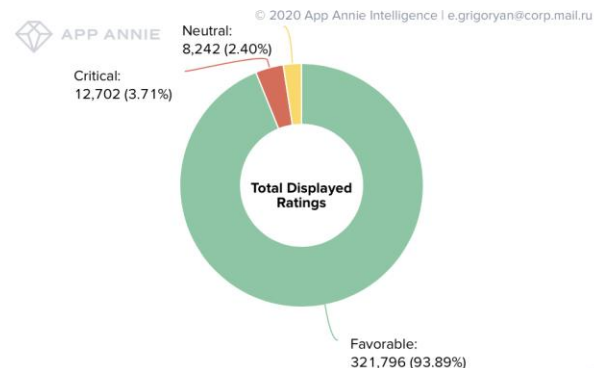
“This game is one my best that I ever played. I’ve been playing this game now for 10years and it’s still good”

The key negative reviews: requirement to spend money to progress

Star Distribution



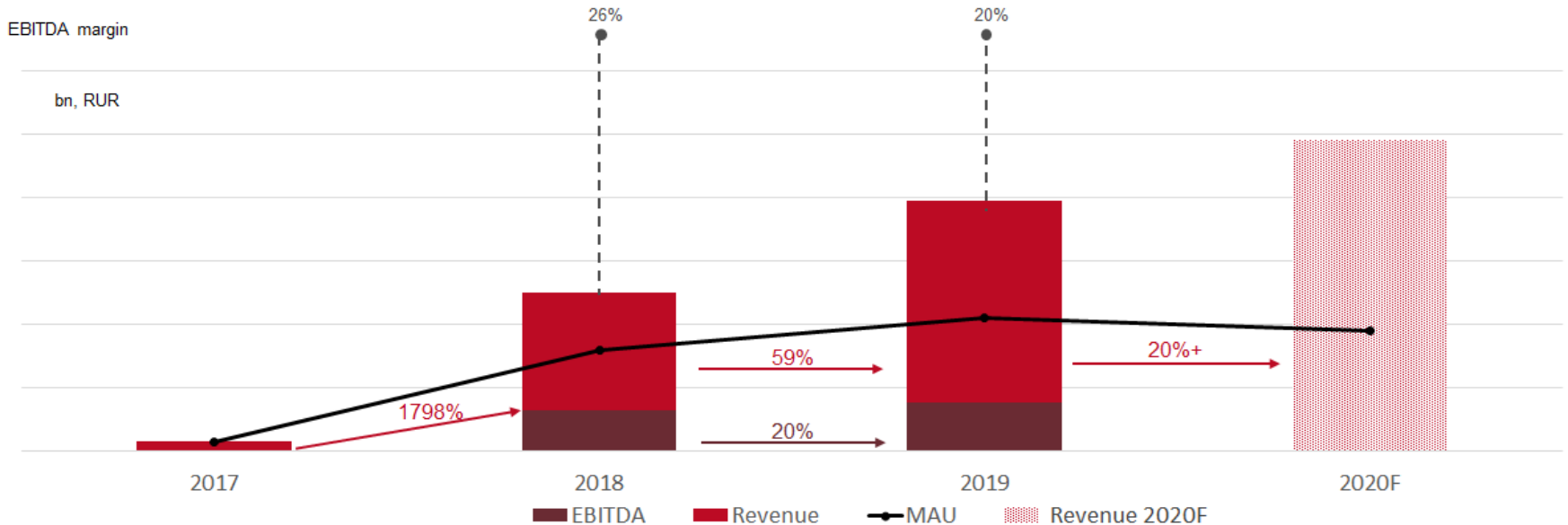
Sentiment



TOP TITLES: HUSTLE CASTLE FRANCHISE



Hustle Castle is among the most successful in-house developed gaming projects. HC proven game mechanics was re-applied in the new products to form a strong franchise and boost our expertise in RPG strategies genre. Operating all three products in one studio-hub (Studio Nord Hub) allows not only to optimize the expenses, but also to get maximum benefits from new content and monetisation updates



Hustle Castle

+ American Dad
+Zero City

* excluding corporate allocations

TOP TITLES: HUSTLE CASTLE

The key positive reviews: solid graphics, good gameplay and a player vs. player (PVP) mode, and interesting storylines.

“All I have to say is good graphics!! Fun story mode!! Interesting quest!! Awsome!! Way better than fallout shelter!!! Download now!!!”

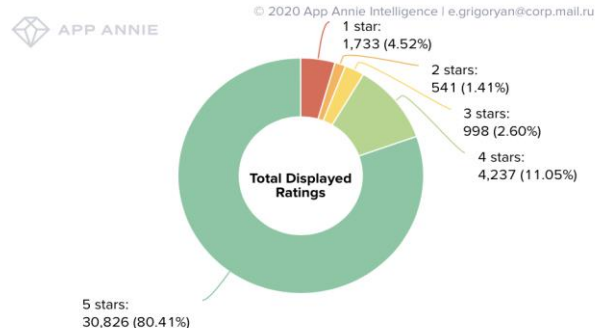
“Awesome game I love it. Animations very good, gameplay interesting, system very fun5 stars”

“I love this game it’s so much fun this type of game is what I have been waiting for! Hurry and download it but warning, you might get addicted!”

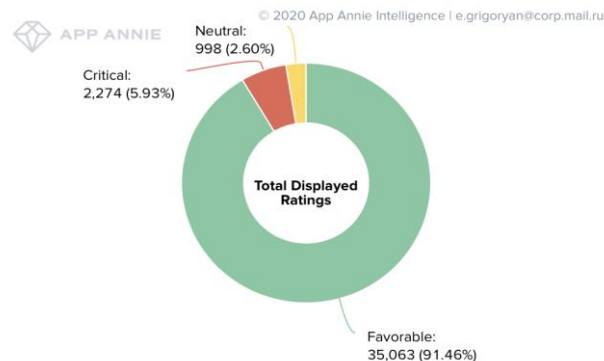
“If you wanna know if this game is good...I thought clash of clans was boring...this is a lot of fun”

The key negative reviews: requirement to spend money to progress, a lack of in-game balance, data lags and cheating.

Star Distribution



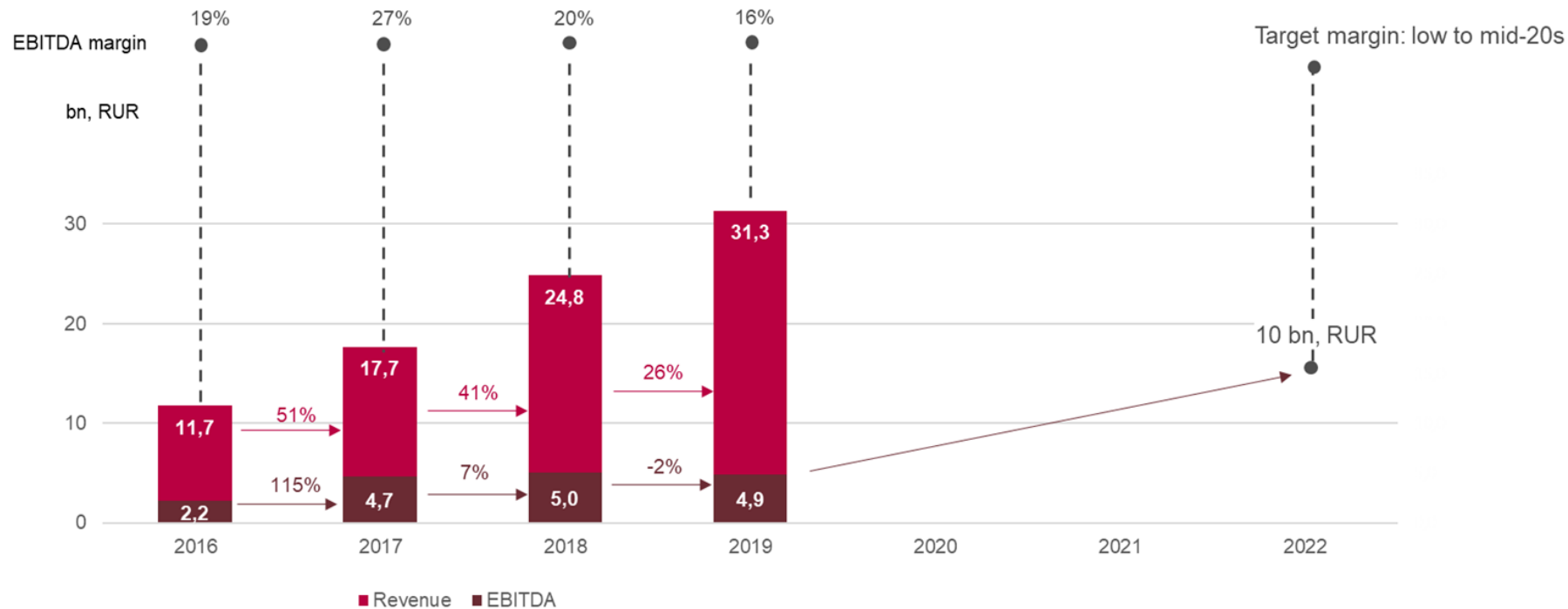
Sentiment



KEY FINANCIAL INDICATORS



We are fully focused on progressing towards our mid-term strategic goal to be among top-25 global gaming companies by revenue, while increasing our EBITDA to ~RUB10bn in 2022 (2x vs 2018 level) and providing grounds for low to mid twenties EBITDA margin through the cycle



* Including corporate allocations

EXECUTIVE SUMMARY



- 20+ years of industry experience
- Proven track record with growth 3x faster than the broader games market since 2016 and top-50 positioning globally in terms of revenues today
- Evolution from a Russian PC business to a global mobile-focused gaming ecosystem, with >70% international revenue share
- Diversified portfolio of gaming products and services with active new product line-up and focus on own IP (>90% of revenues), unified under MY.GAMES brand
- Successful and disciplined M&A track record, with <10% annual contribution of M&A towards achieved revenue targets
- Aiming for top-25 revenue position globally, with superior margins among mobile-focused gaming businesses

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