



FY18 FINANCIAL RESULTS

(12 months to 31 May 2018)

GROWING OUR PORTFOLIO

September 2018





Frontier Overview

- Success over three decades as a work-for-hire developer has created a proven track record over a variety of genres and platforms
- Rise of digital distribution was a catalyst to transition to a self-publishing model, focusing on PC and console
- We are creating franchises, providing sustained income streams and step-up earnings potential:
 - *Elite Dangerous* (December 2014)
 - *Planet Coaster* (November 2016)
 - *Jurassic World Evolution* (June 2018)
- We are scaling up to deliver roughly one major launch per year and achieve our long term ambition of becoming a global leader in entertainment
- We have opportunities that utilise both internal and external resources





Highlights

- Our strategy of sustaining and nurturing franchises continues to deliver:
 - *Elite Dangerous* delivered a record fourth year of revenue, helped by its release on Sony PS4 in June 2017 and the continued addition of gameplay features, in-game content and further narrative
 - *Planet Coaster* continues to perform well through games sales and a growing PDLC model; there are now 7 separate products as of 5 September 2018
 - *Jurassic World Evolution*, our third major game franchise, launched in June 2018 simultaneously on PC, PS4 and Xbox alongside the film launch of *Jurassic World: Fallen Kingdom*
- In October 2017 the first Frontier Expo was held, a Frontier-specific event that brought together Frontier's developers, player community members and media
- We delivered a solid financial performance in FY18, an investment year:
 - Revenue £34 million (FY17: £37 million)
 - Operating profit £2.8m (FY17: £7.8 million)
 - £18m of investments in the development of new and existing franchises, and new offices (FY17: £10m)
- Cash balances increased to £24.1 million (31 May 2017: £12.6 million) including a £17.7 million strategic investment from Tencent

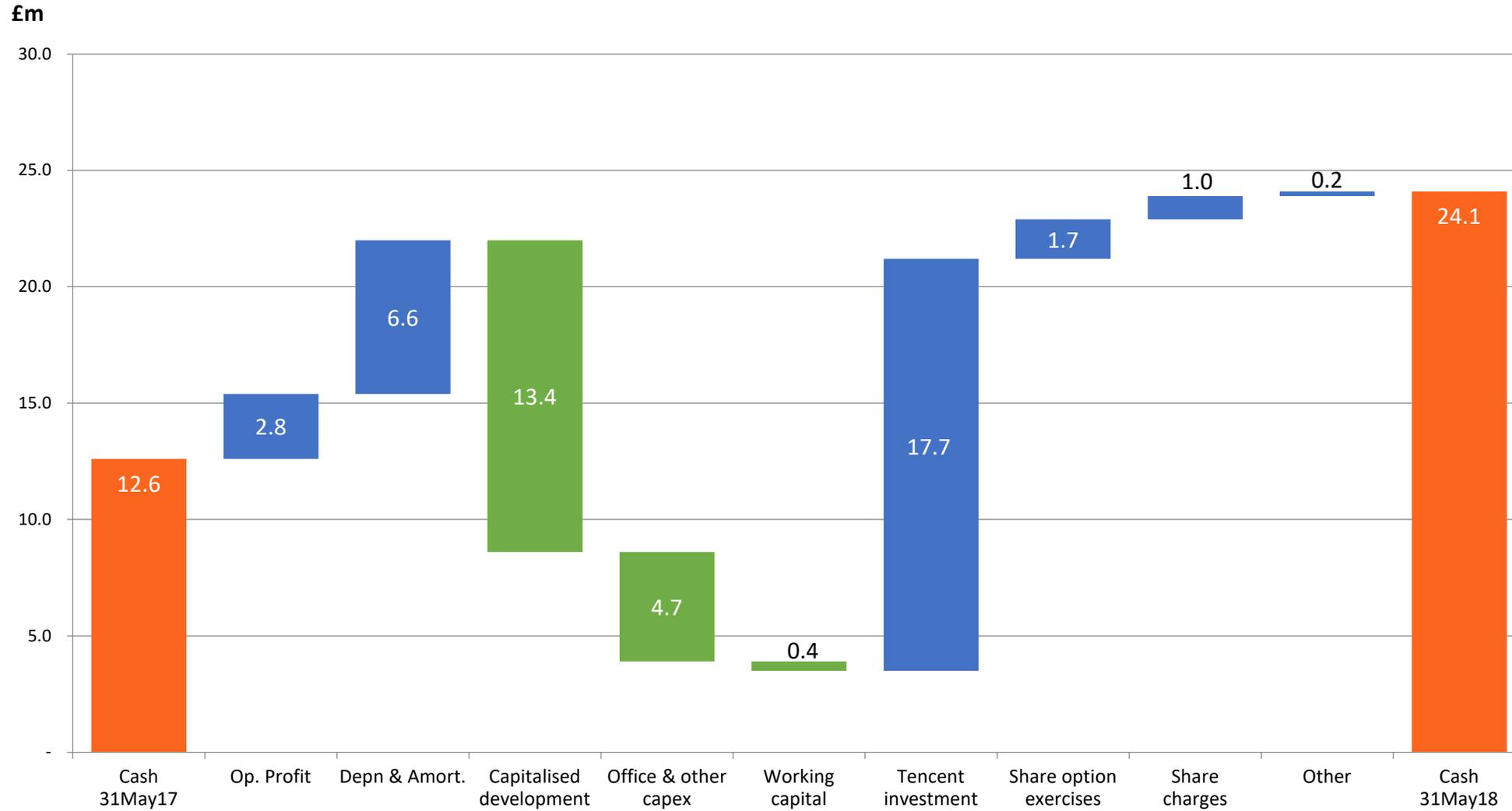


Income Statement

£m	FY18	FY17	% change
Revenue	34.2	37.4	(9%)
Cost of sales	(10.1)	(10.0)	1%
Gross profit	24.1	27.4	(12%)
GM%	70%	73%	(3%)
Gross R&D	15.9	12.7	25%
Capitalised costs	(13.4)	(9.6)	40%
Amortisation	6.0	4.5	33%
Net R&D	8.5	7.6	12%
S&M	6.1	4.3	42%
G&A	6.7	7.6	(12%)
Total Opex	21.3	19.6	9%
Operating profit	2.8	7.8	(64%)
Op. margin %	8%	21%	13%
Interest & tax	0.8	(0.1)	n/a
Profit after tax	3.6	7.7	(53%)
Basic EPS (pence)	9.6	22.7	(58%)



Cash Flow



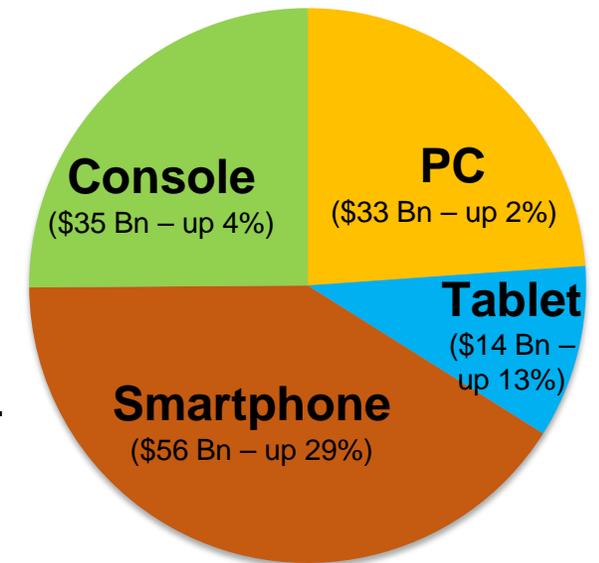
The Games Industry

- **Biggest entertainment sector – 2018: \$138 Bn globally (2017: \$121 Bn)** newzoo

- 2018 Global entertainment industry \$380 Bn Futuresource
- 2018 Film box office \$42 Bn (2017: \$41 Bn) Statista
- 2018 Digital music \$19 Bn (2017: \$17 Bn) IFPI
- Games forecast to grow to \$180 Bn by 2021 newzoo

- **Four sectors – PC, console, mobile, tablet**

- PC+Console - quality led, good discoverability. Well served by media.
- Smartphone - poor discoverability, low quality, fickle market - games not valued.
- Tablet – elements of both PC and smartphone, but poor discoverability.



- **Market changing**

- PC, tablet, smartphone already ~100% digital – console there in ~3 years
- Rise of China (growing at 16.8% YoY newzoo) and other regions (eg Brazil)
- New opportunities – eg ‘mild interactivity’
- ‘New world’ (long term selling and GaaS) vs hit-based ‘old world’

Newzoo 2018 forecast



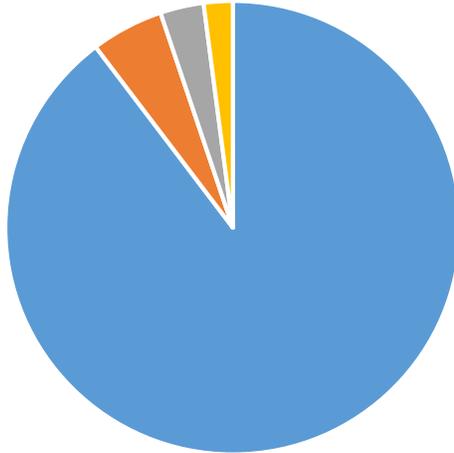
Players in Games

Games companies		Value	Portal	Hardware	Dev. & Pub.	Services	Non-game	Example titles
Microsoft	US	\$861bn	Xbox	Xbox, PC	Y		Y	Publisher of many titles
Tencent	CN	\$411bn	WeGame		Y		Y	League of Legends, Clash of Clans, Clash Royale, publisher of many titles
Sony	JP	\$72bn	PS4	PS4	Y		Y	Publisher of many titles
Activision Blizzard	US	\$55bn	Battle.net		Y			Call of Duty, Destiny, Skylanders, Candy Crush, Warcraft, Overwatch
Nintendo	JP	\$51bn	Switch	Switch	Y			Mario, Zelda, publisher of many titles
Electronic Arts	US	\$35bn	Origin		Y			Battlefield, FIFA, Star Wars: Battlefront, NBA, The Sims, Mass Effect: Andromeda
Valve	US	<private>	Steam	Y	Y			Dota, CS:GO, Half Life, Portal
Take Two	US	\$15.2bn			Y			GTA, Civilization, Red Dead Redemption
Ubisoft	FR	\$12.3bn	Uplay		Y			Assassin's Creed, Far Cry, Just Dance, Tom Clancy
Konami	JP	\$6.0bn			Y			PES, Metal Gear Solid
Square Enix	JP	\$5.6bn			Y			Final Fantasy, Hitman, Tomb Raider
CD Projekt	PL	\$5.4bn	Store		Y			The Witcher, Cyberpunk
Sega Sammy	JP	\$4.2bn	Store		Y		Y	Football Manager, Total War, Alien Isolation, Sonic the Hedgehog, Warhammer
Zynga	US	\$3.6bn			Y			Mobile and web games
Capcom	JP	\$3.3bn			Y		Y	Street Fighter, Resident Evil, Devil May Cry, Monster Hunter
THQ Nordic	SE	\$2.0bn			Y			Darksiders, Elex, MX vs ATV
Paradox	SE	\$1.8bn	Store		Y			City Skylines, Stellaris, Crusader Kings, Europa Universalis, Hearts of Iron, Tyranny
Keyword Studios	UK	\$1.6bn				Y		
Frontier	UK	\$559m	Store		Y			Elite Dangerous, Planet Coaster, Jurassic World Evolution
Team 17	UK	\$398m			Y			Escapists, Worms, Overcooked, Lethal VR
Codemasters	UK	\$354m			Y			F1, DiRT, GRID, ONRUSH
Sumo Digital	UK	\$324m				Y		
Starbreeze	SE	\$318m			Y			Enclave, Riddick, Syndicate, Brothers: A Tale of Two Sons

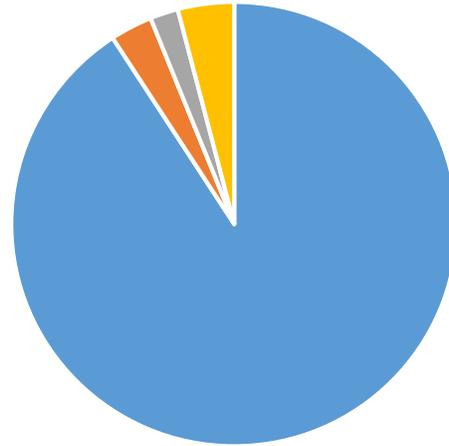
Top-selling games analysis

IP

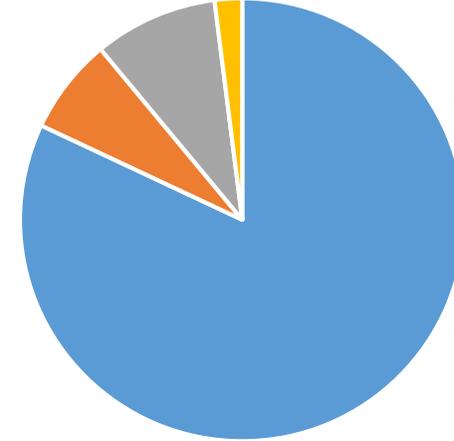
PC 2017



PC H1 2018



Console 2017



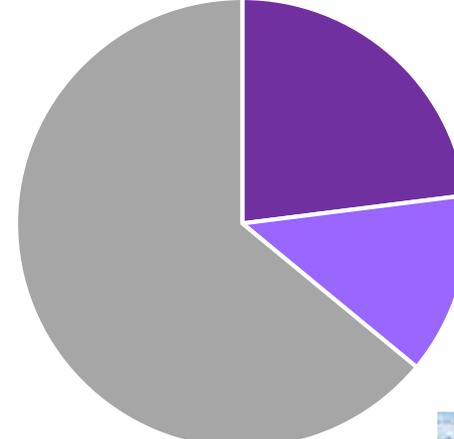
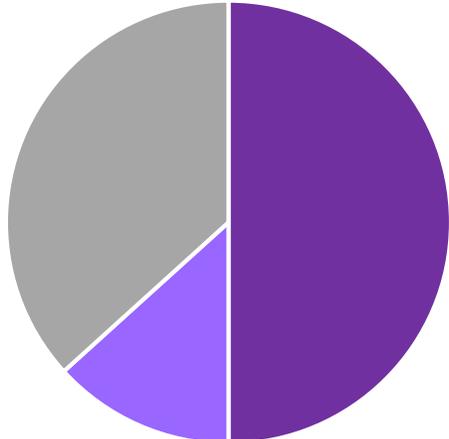
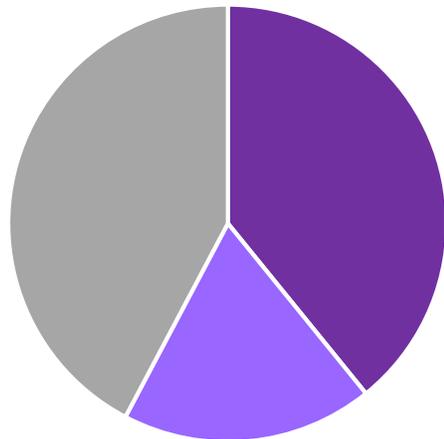
■ Game

■ Film

■ Sports

■ Book

Release



■ First release

■ Second release

■ Third+ release



Sources:
 - Steam 100 Top Sellers 2017 and 2018 to date: store.steampowered.com
 - 100 best-selling UK boxed games of 2017: GamesIndustry.biz



Franchise Portfolio

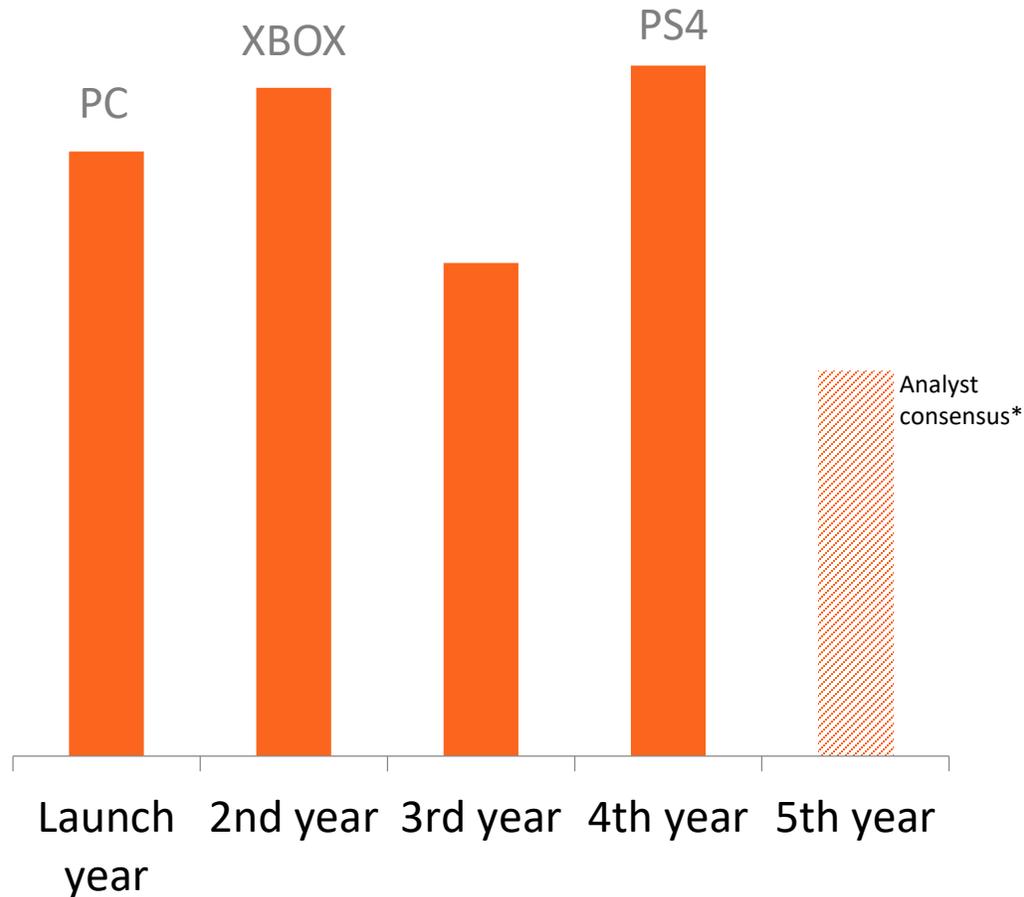
- **We are building a diverse, world-class portfolio**
 - Our business plan is based on a demonstrable track record of successful, on-time, on-budget launches and substantial multi-year franchise revenues
 - We can significantly grow Frontier's value WITHOUT relying on 'mega-hits', but the potential is always there
 - Continue to extend and manage *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*
- **We base new franchise decisions on a proven formula**
 - Our 4th Franchise, which is based on our own un-announced IP, is now in full development and targeted for release in FY20
 - Two further franchises are in earlier stages of development
- **Franchises will be a mix of licensed and original IP**
 - We will use licenses where there is a good fit and it adds value to the game



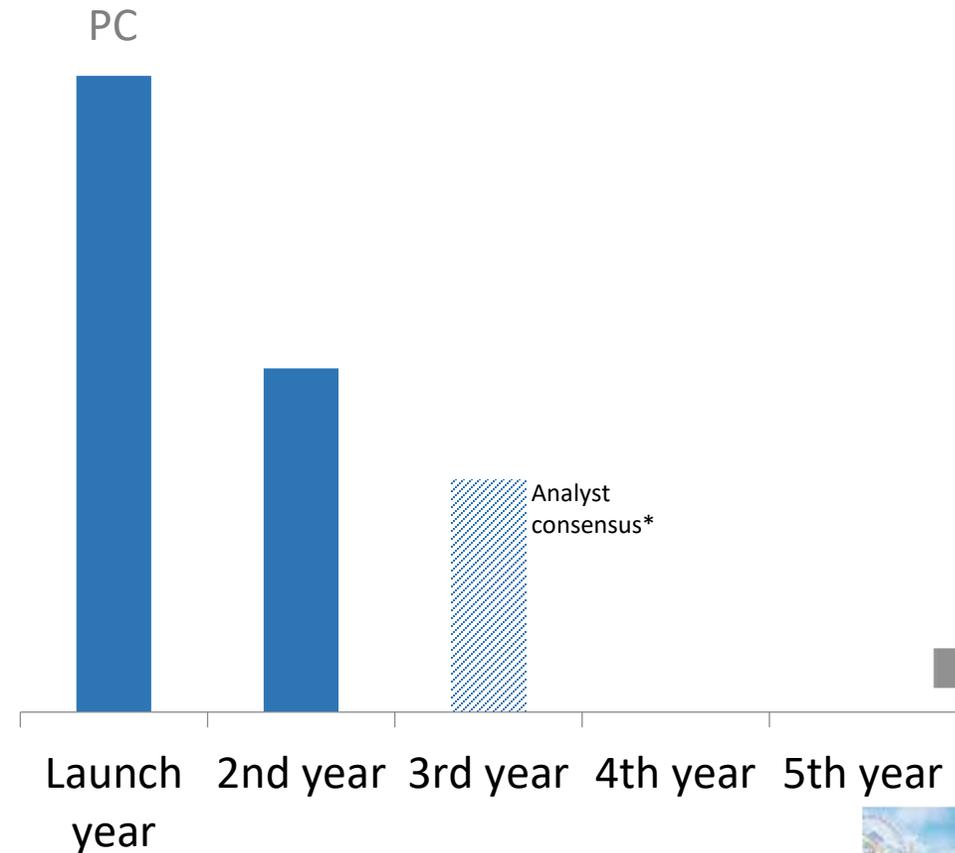


Building franchises with sustaining revenues

Elite Dangerous



Planet Coaster

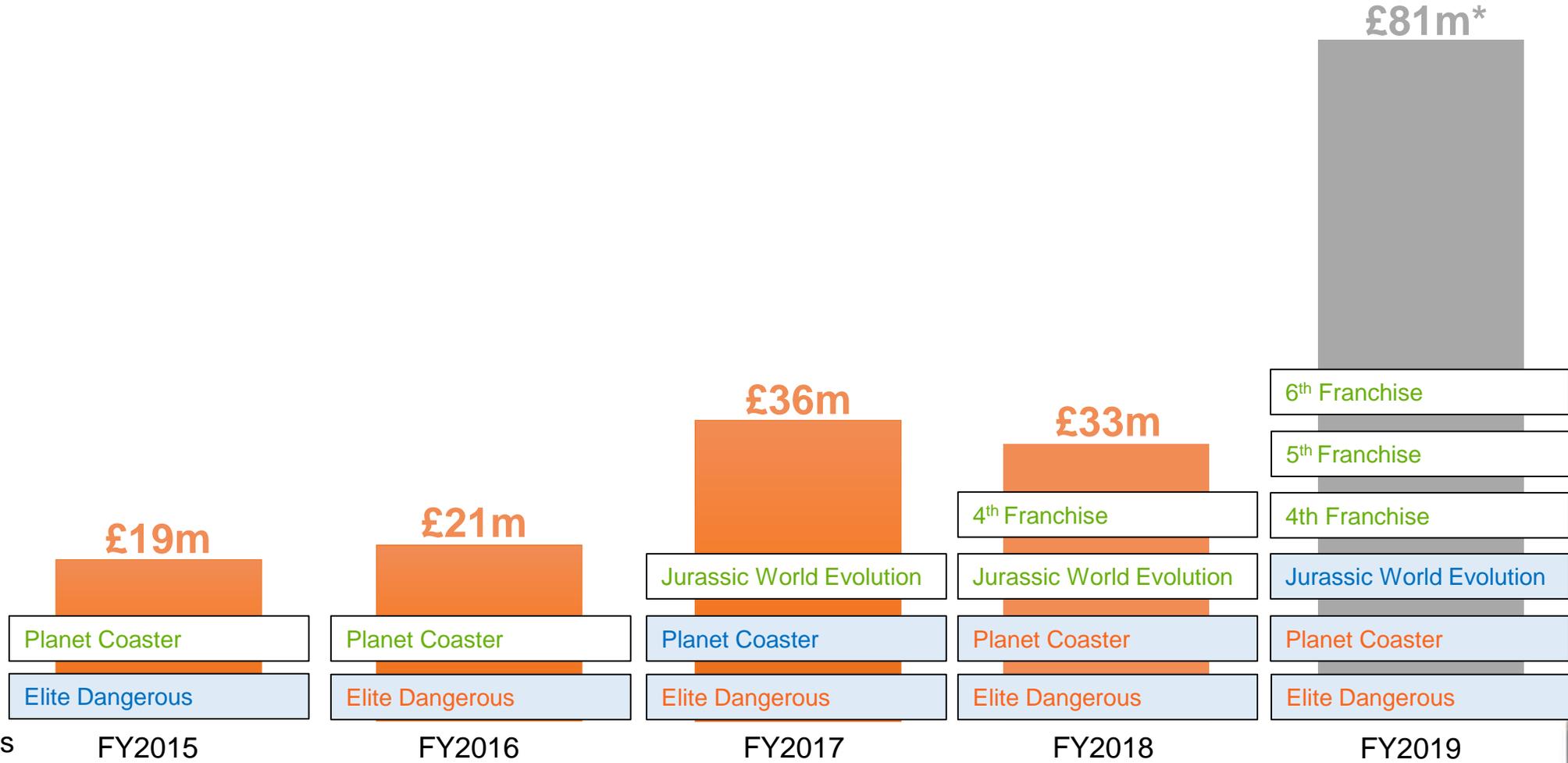


* Average of projections from Liberum, finnCap, Citi, Peel Hunt, Jefferies and Berenberg



Scale-Up Illustration

Financial performance will continue to exhibit “stepped” characteristics as new franchises are released



 Actual self-published revenue (in the financial year)
 Analyst projected self-published revenue (in the financial year)

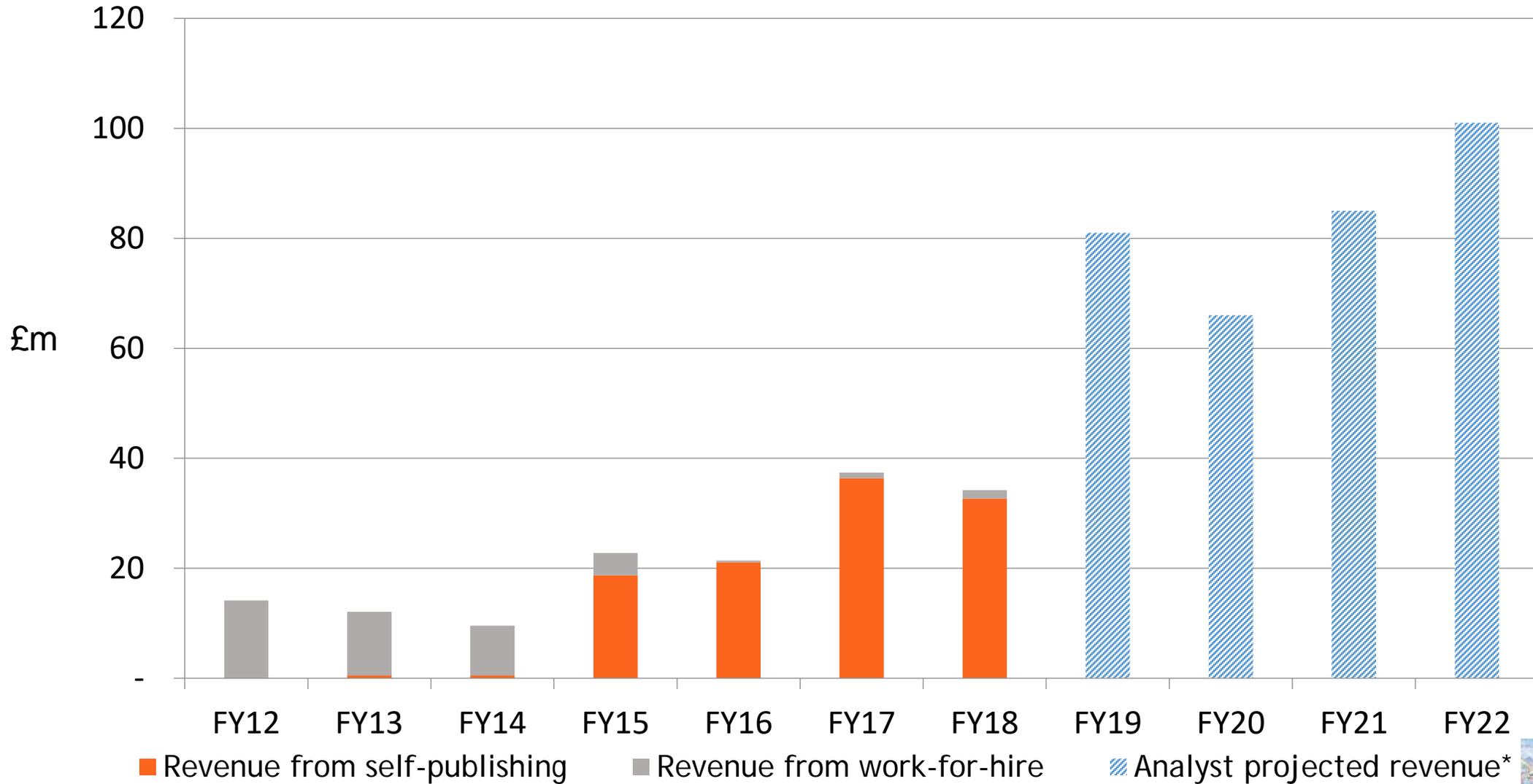
Development
 Launch
 Sustain



* Average of projections from Liberum, finnCap, Citi, Peel Hunt, Jefferies and Berenberg



Historic revenue & analyst projections





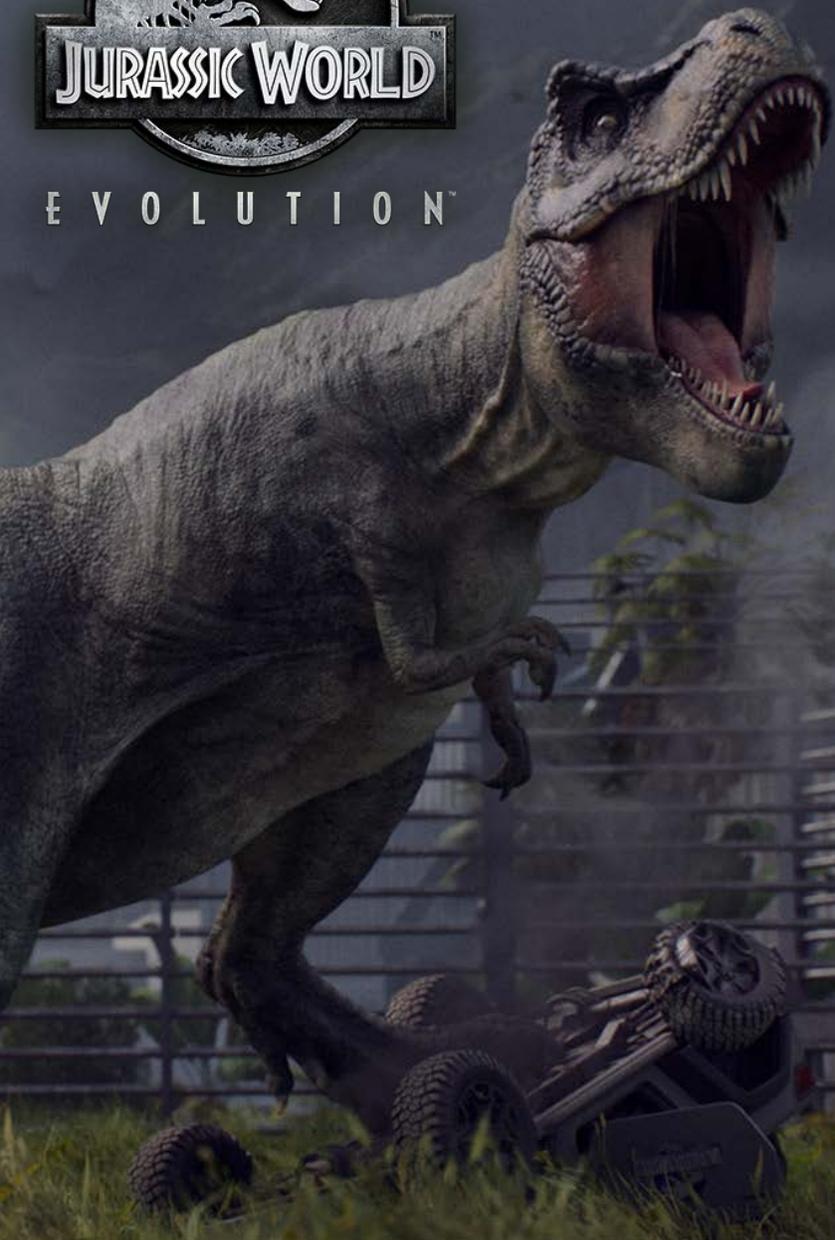
Future Opportunities

- Franchise announcements will be made at the best time for the franchise
 - Announcements may be made some time after the start of a particular project
 - Not at the time of the signature of an agreement with an IP or development partner
- Core model is to use internal resources supplemented by outsourced services
 - Moving to an internal game every year
- We are also exploring other models to accelerate scale-up:
 - Third party publishing (promotion and distribution of other developers' games)
 - Commissioning (outsourcing development of Frontier games to other developers)
 - Acquisitions





EVOLUTION™



PLANET
COASTER®





Summary and Outlook

- Proven our ability to deliver over three decades
- Successful transition to self-publishing with three successful franchises, *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*
- *Elite Dangerous* and *Planet Coaster* continue to perform well through both game sales and PDLC
- *Jurassic World Evolution* launched in June 2018 and initial sales have been strong – our biggest launch to date
- Well placed to build a broad portfolio of franchises, each different to the last
- Franchise 4, based on our own un-announced IP, is in full development and targeted for release in FY20. Two more new franchises are in earlier stages of development
- Scaling up to deliver roughly one major launch per year and achieve our long term ambition of becoming a global leader in entertainment



Appendix



Proven Track Record over Three Decades

- 1984: *Elite* launched; Frontier founded 1994 by David Braben
- 1994-2013: very successful “work-for hire” developer
- Proven track record over a variety of genres, many platforms



- Including Microsoft launch titles for Kinect, Xbox One
- Use our own ‘COBRA’ software technology



Digital Distribution was Catalyst to Self-publish

- Self-publishing gives best financial (and creative) RoI for our expertise
- Online digital distribution removed physical retail barrier-to-entry
 - Use our own store plus key 3rd party stores; Steam (PC), Xbox Live (Xbox One)
- ‘Kickstarter’ funding for *Elite* sequel led to July 2013 IPO
 - To fully support transition
- No change to our successful development process
- Added marketing and customer support to our organisation
 - Engage with our player communities directly



FRONTIER Games Industry Ten Years Ago

- **Route to market ‘owned’ by publishers, selling on disc through retail**
 - Publishers: marketing, owned brand, owned customer relationship, funded development
 - Developers: development, design, production
- **Risky, hit-based business**
 - Retail channel crowded, games had to sell through within ~ four weeks before losing out to piracy, then pre-owned.
 - Up-front inventory risk and cost
 - Risky to both publisher and developer.
- **Market much smaller than today, but also less crowded**
 - Almost entirely console – PC very small



Balance Sheet

£m	31 May 2018	31 May 2017
Intangible and tangible assets	34.2	22.6
Receivables & other short term assets	7.2	3.4
Cash	24.1	12.6
Total Assets	65.5	38.6
Payables	(5.9)	(4.9)
Deferred income	(4.3)	(1.4)
Tax creditor	-	(0.7)
Provisions	-	(0.3)
Total Liabilities	(10.2)	(7.3)
Net Assets	55.3	31.3



Cash Flow

£m	FY18	FY17
Operating profit	2.8	7.8
Depreciation & amortisation	6.6	4.9
EBITDA	9.4	12.7
Capitalised costs	(13.4)	(9.6)
Unrealised exchange on fwd contracts	0.3	(0.3)
Share-based payment charges	1.0	0.7
Rounding adj.	(0.1)	-
Operating Cash Flow	(2.8)	3.4
Working capital movement	(0.4)	0.8
Non-development capex	(4.7)	(0.8)
Tencent investment	17.7	-
Interest, tax, option exercises	1.7	0.6
Total Cash Flow	11.5	4.0
Cash at beginning of the period	12.6	8.6
Cash at end of the period	24.1	12.6





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