



**RECORD RESULTS:  
PROFITS INCREASE 550% AS  
BUSINESS TRANSITION COMPLETES**

**FY17 FINANCIAL RESULTS: SEPTEMBER 2017**





# Frontier Overview

- Success over three decades as a work-for-hire developer created a proven track record over a variety of genres and platforms
- Rise of digital distribution was catalyst to transition to self-publishing model, focusing on PC and console
- Objective is to create franchises, providing sustained income streams and step-up earnings potential:
  - *Elite Dangerous* (2014)
  - *Planet Coaster* (2016)
  - *Jurassic World Evolution* (coming summer 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

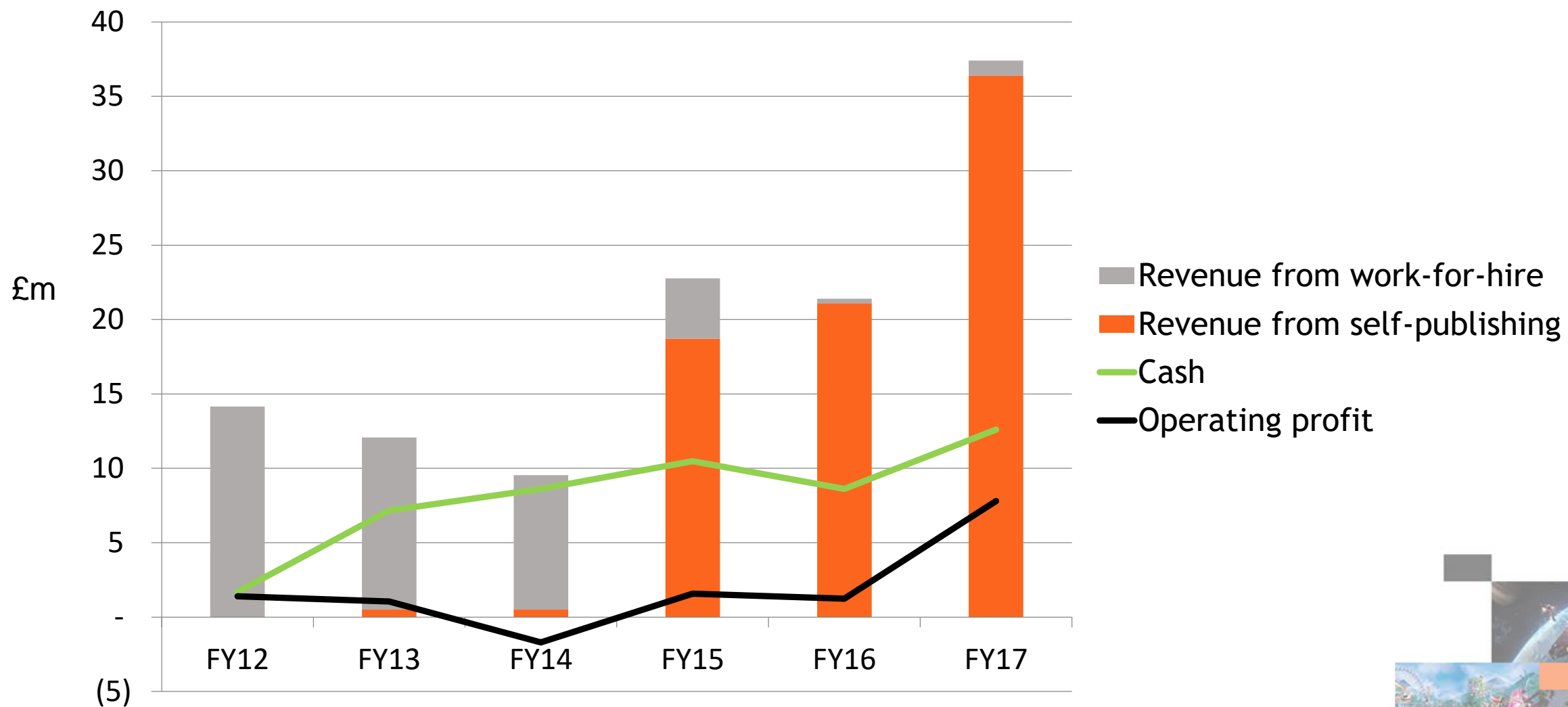


# Highlights

- Transition to a multi-franchise self-publishing business model completed in November 2016 with launch of *Planet Coaster*. Passed 1 million units in August.
- *Elite Dangerous* continues to perform well. Sony PlayStation 4 platform added in June. Passed 2.75 million franchise units in August.
- Third major game franchise revealed in August 2017: *Jurassic World Evolution* is planned for launch in summer 2018.
- The launch of *Planet Coaster* drove a step-up in financial performance in FY17:
  - Total revenue grew 75% to £37.4 million (FY16: £21.4 million)
  - Operating profit grew by 550% to £7.8 million (FY16: £1.2 million)
- Strategic investment from Tencent in July 2017 raised £17.7 million:
  - Cash of £27.5 million at 31 August 2017 (31 May 2016: £8.6 million)



# Financial summary

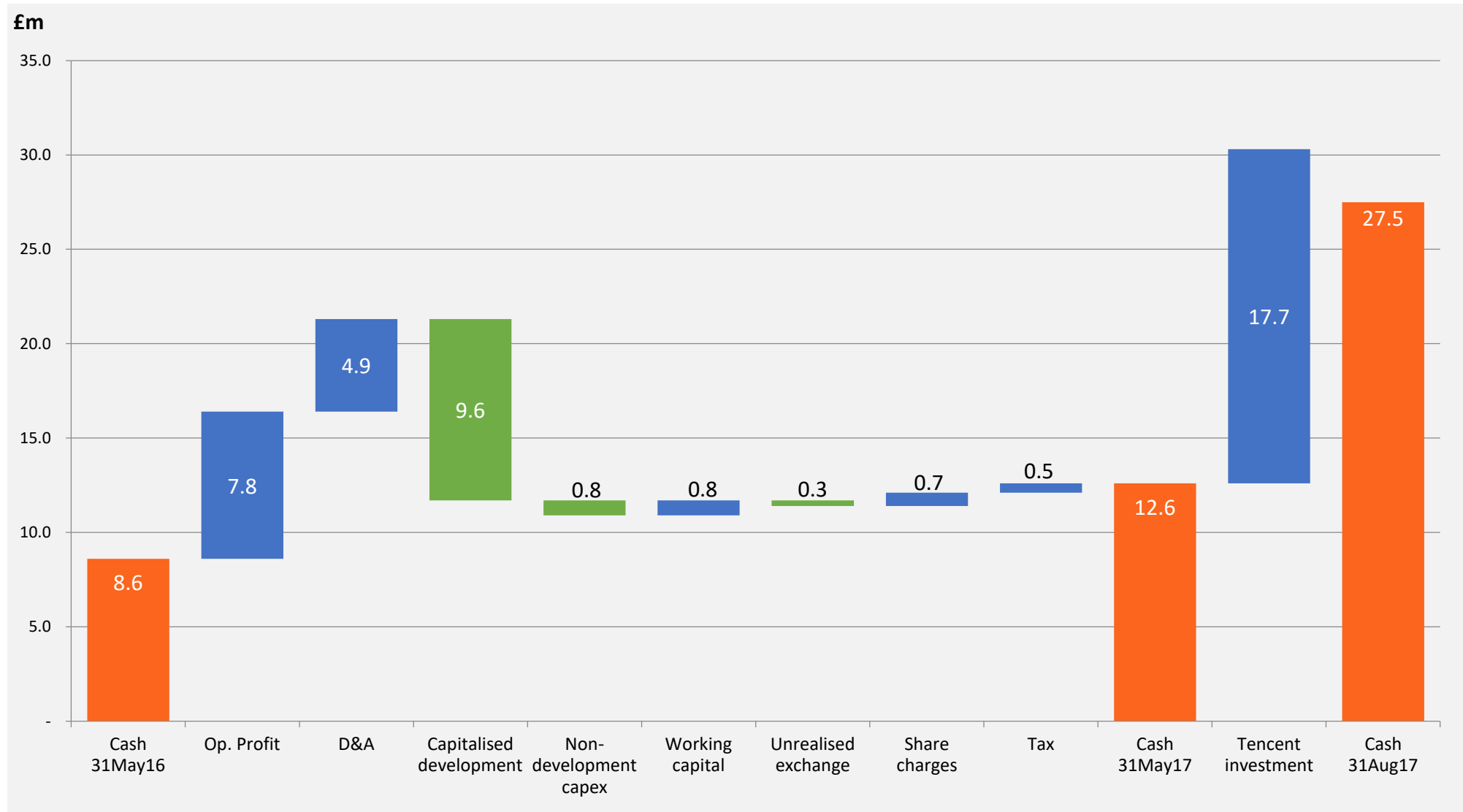


# Income Statement

£m	FY17	FY16	% change
Revenue	37.4	21.4	75%
Cost of sales	(10.0)	(5.1)	96%
Gross profit	27.4	16.3	68%
GM%	73%	76%	(3%)
Gross R&D	12.7	12.6	1%
Capitalised costs	(9.6)	(8.9)	8%
Amortisation	4.5	3.3	36%
Net R&D	7.6	7.0	9%
S&M	4.3	3.9	10%
G&A	7.6	4.2	81%
Total Opex	19.6	15.0	31%
Operating profit	7.8	1.2	550%
Op. margin %	21%	6%	15%
Interest & tax	(0.1)	0.2	n/a
Profit after tax	7.7	1.4	450%
Basic EPS (pence)	22.7	4.2	440%



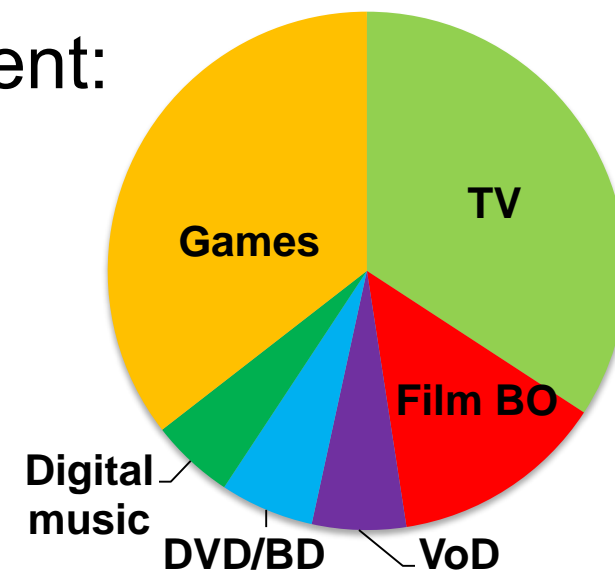
# Cash Flow



# The Entertainment Industry

- Games are the world's premiere form of entertainment:

- 2017 global games revenue: \$109 Bn newzoo forecast
- 2017 global TV revenue: \$105 Bn Statista forecast
- 2017 global film box-office revenue: \$41 Bn Statista forecast
- 2017 global video-on-demand revenue: \$18 Bn Statista forecast
- 2016 global DVD/Bluray revenue: \$18 Bn Home Media Magazine actual
- 2016 global digital music revenue: \$16 Bn IFPI actual



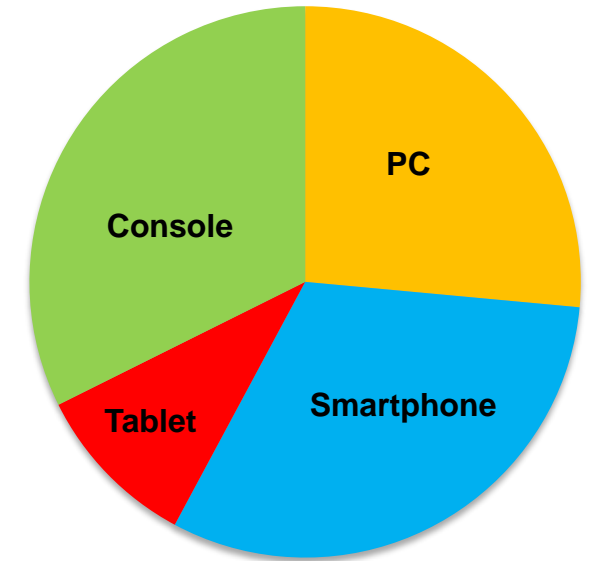
- Global games revenue growing at 8% pa

- Taking screen time from TV (falling 8% pa) and DVD/Bluray (falling 17% pa)
- Rapid growth of games in new markets (eg China - growing 14% pa)
- Games revenue forecast to reach \$129 Bn by 2020 newzoo



# The Games Industry

- Three comparable sectors – PC, console, mobile
  - PC - quality led. Good discoverability. Well served by media.
    - Player base values games.
  - Console - quality led. OK discoverability. Well served by media.
    - Younger but dedicated player base, values games.
  - Mobile, particularly smartphone. Poor discoverability.
    - Fickle, player base don't value games.
    - Tablet play-styles different, yet discovered via same route.
- Digital downloads already dominate
  - Mobile is 100% digital
  - PC is 95%+ digital (was approx. 50% 5 years ago)
  - Digital sales on console are rising rapidly (approaching 50:50)



Newzoo 2017 forecast





Games companies		Value	Business	Titles
Tencent	CN	\$398bn	Developer & Publisher & digital distribution, other	Clash of Clans, League of Legends, publisher of many western games in China
Activision Blizzard	US	\$49bn	Developer & publisher	Call of Duty, Crash Bandicoot, Guitar Hero, Skylanders, Tony Hawk's, Warcraft, Candy Crush Saga
Electronic Arts	US	\$37bn	Developer & publisher	Battlefield, FIFA, Madden NFL, Medal of Honor, NBA Live, Need for Speed, Plants vs. Zombies, Rock Band, SimCity, The Sims
Take Two	US	\$10bn	Developer & Publisher	Grand Theft Auto, Civilization, Red Dead Redemption, Bioshock
Valve Corporation	US	<private>	Developer, Publisher & digital distribution	Half-Life, CS:GO, Portal, DOTA, Steam (distribution platform)
Ubisoft	FR	\$7.6bn	Developer & publisher	Assassin's Creed, Far Cry, Just Dance, Prince of Persia, Rayman, Tom Clancy's Ghost Recon, Tom Clancy's Splinter Cell
Square Enix	JP	\$4.3bn	Developer, publisher, amusements, other	Final Fantasy, Dragon Quest, Kingdom Hearts
Sega Sammy	JP	\$3.8bn	Developer, publisher, amusements	Football Manager, Total War, Alien Isolation, Sonic the Hedgehog, Warhammer
CD Projekt	PL	\$2.2bn	Developer, publisher	The Witcher, Cyberpunk
Capcom	US	\$1.7bn	Developer, publisher, amusements, other	Street Fighter, Resident Evil, Devil May Cry, Monster Hunter
Paradox	SE	\$944m	Developer & Publisher	City Skylines, Stellaris, Crusader Kings, Europa Universalis, Hearts of Iron, Tyranny
Frontier	UK	\$528m	Developer & Publisher	Elite Dangerous, Planet Coaster
Starbreeze	SE	\$456m	Developer & Publisher	Enclave, Riddick, Syndicate, Brothers: A Tale of Two Sons

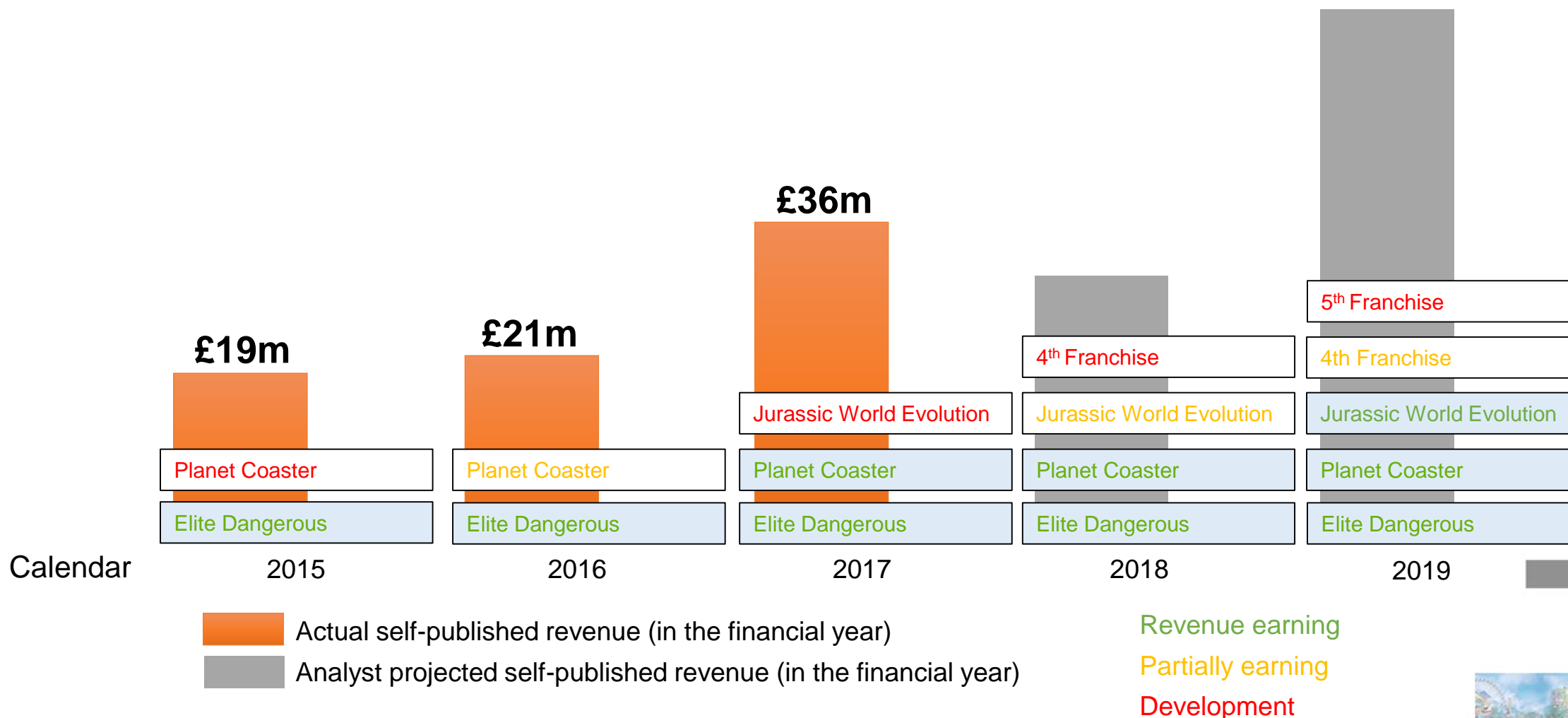
# Scaling Our Franchise Portfolio

- Business plan 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*
- Base new franchise decisions on proven 'ingredients', leveraging expertise
- 3<sup>rd</sup> Franchise for summer 2018 now revealed: *Jurassic World Evolution*
  - For PC, Playstation 4 and Xbox One
- Build a diverse, world-class portfolio
- £17.7m strategic investment by Tencent
  - Improves Frontier's access to key Chinese market and helps drive scale-up



# Scale-Up Illustration

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







E V O L U T I O N™



Watch the trailer

<https://www.frontier.co.uk/our-games/jurassic-world-evolution>





# PLANET<sup>®</sup> COASTER

[Watch the trailer](https://www.frontier.co.uk/our-games/planet-coaster)  
<https://www.frontier.co.uk/our-games/planet-coaster>





# ELITE DANGEROUS

[Watch the trailer](https://www.frontier.co.uk/our-games/elite-dangerous)  
<https://www.frontier.co.uk/our-games/elite-dangerous>



# Summary

- We have proven our ability to deliver over three decades
- We have successfully transitioned to self-publishing with two franchises
- Our third, *Jurassic World Evolution*, launches summer 2018
- We are well placed to build a broad portfolio of franchises, each different to the last
- 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



# 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 3<sup>rd</sup> 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



# Ingredients for Successful Self-publishing

- World-class team, 300+ people, strong commercial relationships, proven delivery of quality games, leveraging our expertise
- Differentiation enabled by COBRA, engaging long-term gameplay



# Success through Franchises

- A franchise is
  - “where a recognisable world, collection of characters, story and original creative content is gathered together across multiple products”*
- A franchise allows long term community engagement
  - Loyal fan base and sales grow over many years
  - Marketing and brand awareness carry forwards
  - Can spread to other media
- Creating franchises is the key to long term success
  - Company value can be considered to be made up of long term franchises
  - Franchises can have revenues in excess of \$1 Bn per year
  - Sale of Minecraft to Microsoft for \$2.5 Bn in 2014



# Balance Sheet

£m	31 May 2017	31 May 2016
Intangible and tangible assets	<b>22.6</b>	17.0
Receivables & other short term assets	<b>3.4</b>	2.8
Cash	<b>12.6</b>	8.6
<b>Total Assets</b>	<b>38.6</b>	<b>28.4</b>
Payables	<b>(4.9)</b>	(3.1)
Deferred income	<b>(1.4)</b>	(2.2)
Tax creditor	<b>(0.7)</b>	(0.1)
Provisions	<b>(0.3)</b>	(0.3)
<b>Total Liabilities</b>	<b>(7.3)</b>	<b>(5.7)</b>
<b>Net Assets</b>	<b>31.3</b>	<b>22.8</b>



# Cash Flow

£m	FY17	FY16
Operating profit	7.8	1.2
Depreciation & amortisation	4.9	3.6
EBITDA	12.7	4.9
Capitalised costs	(9.6)	(8.9)
Unrealised exchange on fwd contracts	(0.3)	0.5
Share-based payment charges	0.7	0.7
Operating Cash Flow	3.4	(2.7)
Working capital movement	0.8	1.5
Tax	0.5	(0.1)
Non-development capex	(0.8)	(0.9)
Interest and share issues	0.1	0.3
Total Cash Flow	4.0	1.9
Cash at beginning of the period	8.6	10.5
Cash at end of the period	12.6	8.6







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