



# FRONTIER

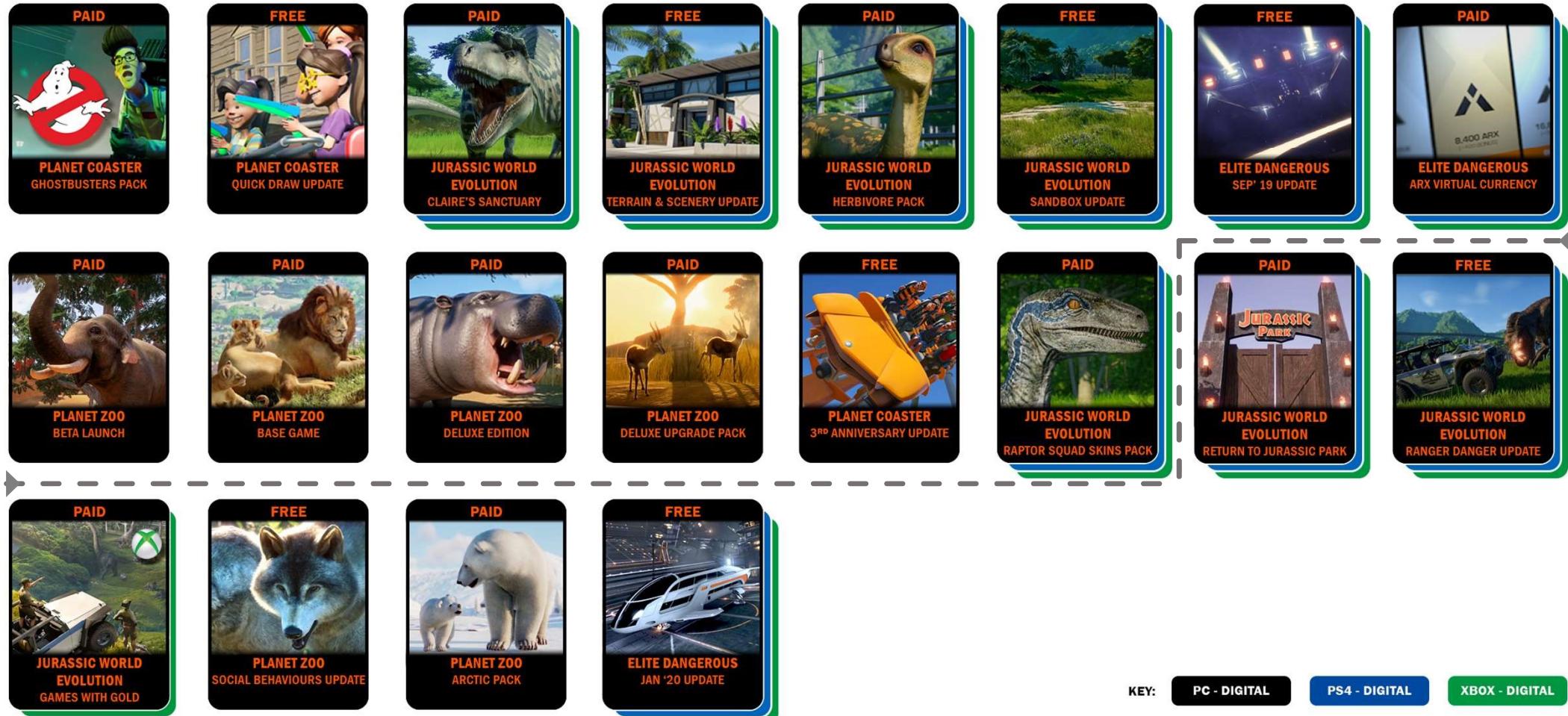
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# FRONTIER OVERVIEW

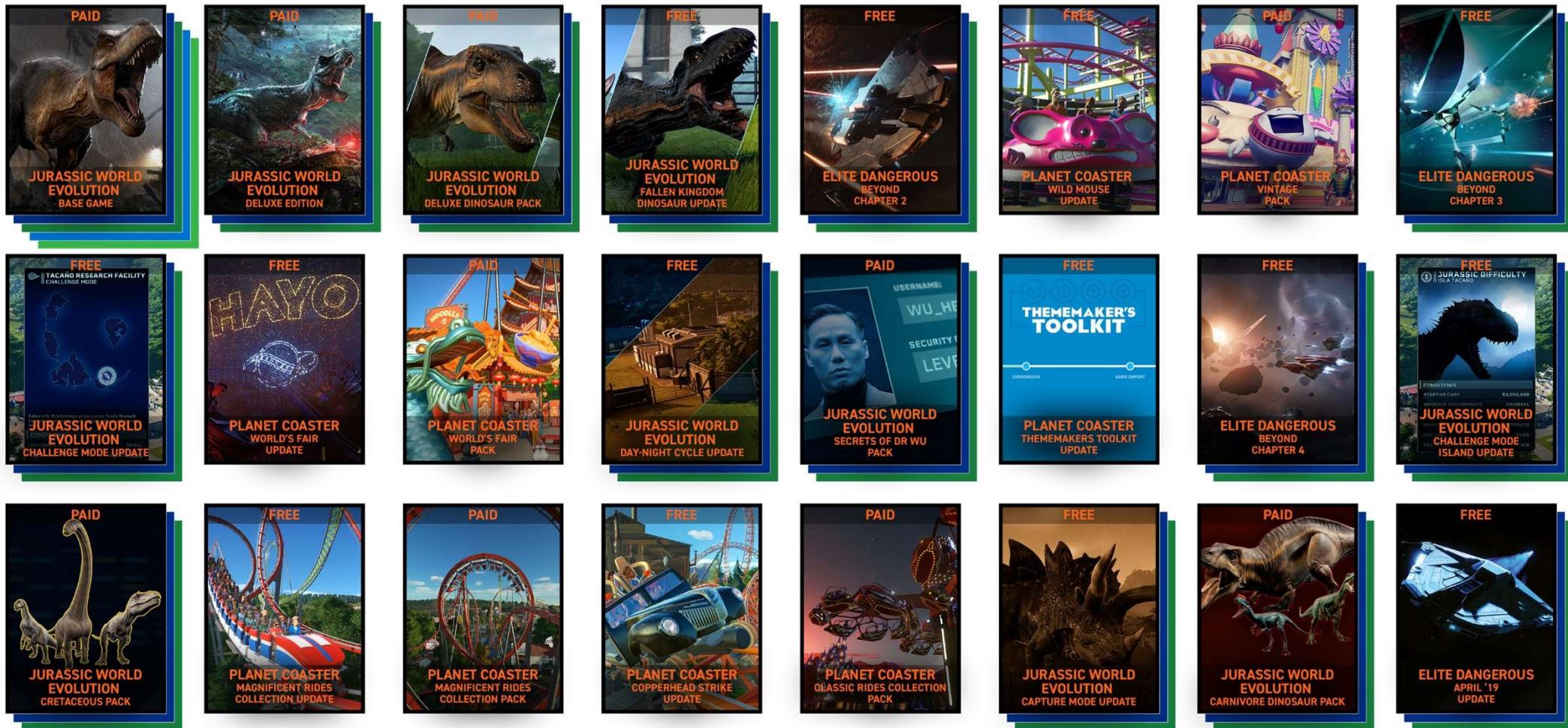
OUR GOAL: TO BE THE MOST RESPECTED AND HIGHEST QUALITY ENTERTAINMENT COMPANY IN THE WORLD

- **26 years of success: building a world-class portfolio on time and on budget over multiple genres and platforms**
  - 20 years as a trusted work-for-hire developer created a proven track record
  - 6 years as a self-published developer following the rise of digital distribution
- **Proven model expanding under-served markets with a mix of original and licensed IP with an emphasis on quality**
  - *Elite Dangerous* (15<sup>th</sup> December 2014, FY15) - PC, PS4, Xbox
  - *Planet Coaster* (17<sup>th</sup> November 2016, FY17) – PC (coming to PS4 and Xbox summer 2020)
  - *Jurassic World Evolution* (12<sup>th</sup> June 2018, FY19) - PC, PS4, Xbox
  - *Planet Zoo* (5<sup>th</sup> November 2019, FY20) – PC
- **Now achieving one or more major internal release per year**
  - FY19 – *Jurassic World Evolution*
  - FY20 – *Planet Zoo*
  - FY21 - a major new release for *Elite Dangerous* plus *Planet Coaster* coming to PS4 and Xbox
  - FY22 - two internal games planned, one of which will be a major global IP license
  - Multiple other major internal projects in various stages of development
- **Frontier Publishing is further accelerating scale-up with three titles signed to date and more in progress**
  - Frontier Publishing will become material in future years
  - Acquisitions and commissions have been and will be considered

## FY20 Releases – financial year to date (1 June 2019 to 4 February 2020)



## FY19 Releases (1 June 2018 to 31 May 2019)



KEY:

PC - DIGITAL

PS4 - DIGITAL

XBOX - DIGITAL

PS4 - PHYSICAL

XBOX - PHYSICAL

# GROWING AND NURTURING OUR PORTFOLIO

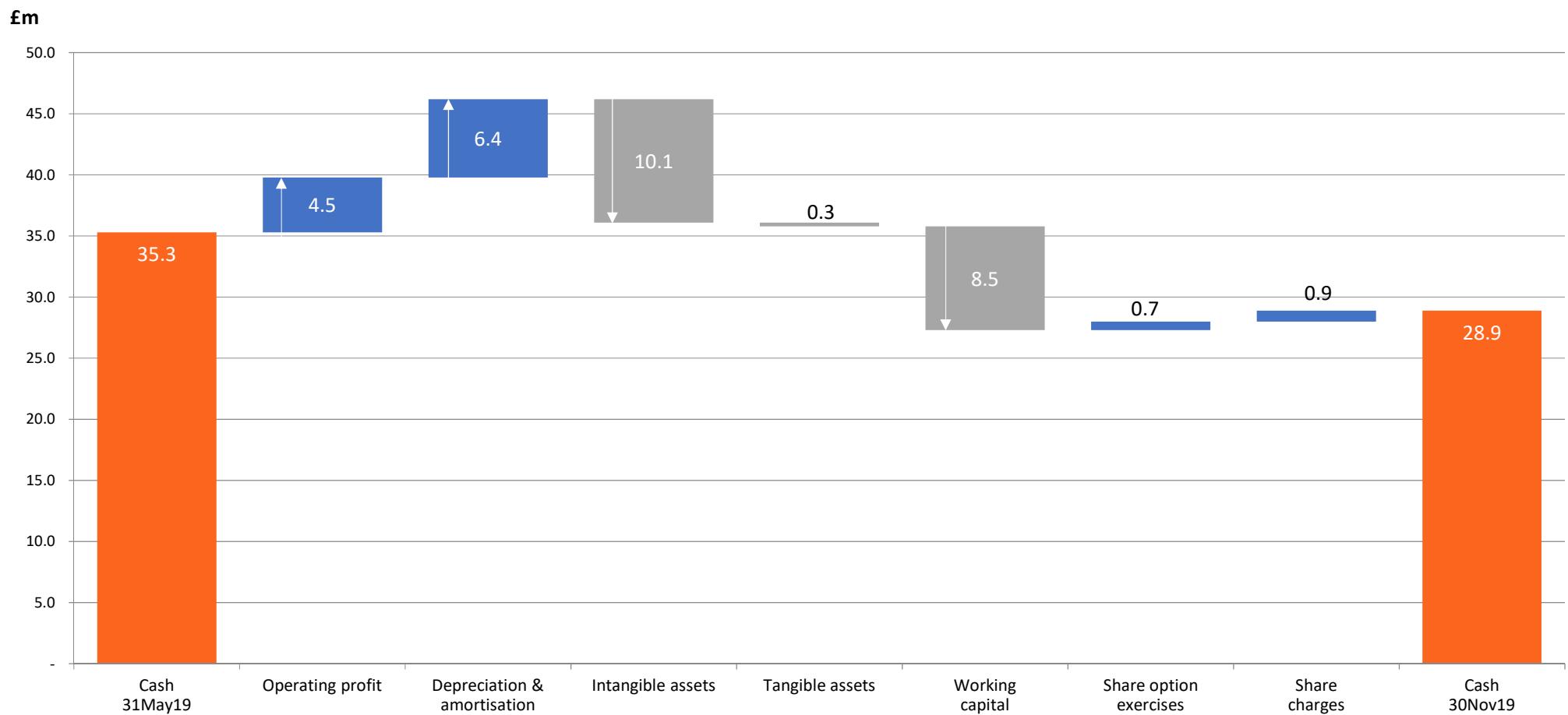
- Our strategy of releasing and then nurturing franchises continues to deliver:
  - *Planet Zoo*, the ultimate zoo simulation and our fourth game franchise, successfully launched on 5 November 2019, achieving a day one PC launch record for Frontier. To date it has sold the most units on PC of any of our games during an equivalent time period, crossing 500,000 units in early December. Two PDLC products have been released to date and more are planned.
  - *Jurassic World Evolution*, our biggest multi-platform launch to date, released in June 2018. The base game is supported by 8 PDLC packs to date, the most recent releasing in December 2019. The base game successfully featured in Xbox's Games with Gold promotion over Christmas 2019.
  - *Planet Coaster* (November 2016) continues to perform well through games sales and a strong catalogue of PDLC; there are currently 11 separate products, including Ghostbusters which launched June 2019. PS4 and Xbox releases are planned for summer 2020.
  - *Elite Dangerous* (December 2014) continues to expand and develop. The personalisation model was further enhanced by the launch of an in-game virtual currency called Arx in September 2019. A major new paid-for release is targeted for launch at the end of 2020, which will dramatically expand gameplay and mark the beginning of a new era.
  - In June we announced our first Frontier Publishing partnership, with experienced developer Haemimont Games. Two further partnerships have been signed to date, and more are in progress.
- Our financial performance in H1 FY20:
  - Revenue of £32 million, up 28% versus the preceding six month period (H2 FY19)
  - Operating profit of £4.5 million, compared to £2.2m in H2 FY19
  - Cash reduced to £28.9 million (31 May 2019: £35.3 million) due to an increase in receivables (Planet Zoo released in Nov'19)

# INCOME STATEMENT

£m	H1 FY20	H2 FY19	H1 FY19
Revenue	<b>32.0</b>	25.0	64.7
Cost of sales	<b>(10.6)</b>	(9.6)	(25.4)
Gross profit	<b>21.4</b>	15.4	39.3
GM%	<b>67%</b>	61%	61%
Gross R&D	<b>12.4</b>	10.4	9.9
Capitalised costs	<b>(9.8)</b>	(8.3)	(5.1)
Amortisation	<b>4.9</b>	4.0	4.0
Net R&D	<b>7.5</b>	6.1	8.8
S&M	<b>3.9</b>	2.3	5.5
G&A	<b>5.4</b>	4.8	7.7
Total Opex	<b>16.9</b>	13.2	22.1
Operating profit	<b>4.5</b>	2.2	17.2
Op. margin %	<b>14%</b>	9%	27%
Interest & tax	<b>(0.8)</b>	(0.2)	(1.8)
Profit after tax	<b>3.6</b>	2.0	15.4
Basic EPS (pence)	<b>9.4</b>	5.2	40.2

This summary has been presented in millions of GBP to one decimal place and as a result some rounding adjustments are necessary.

# CASH FLOW



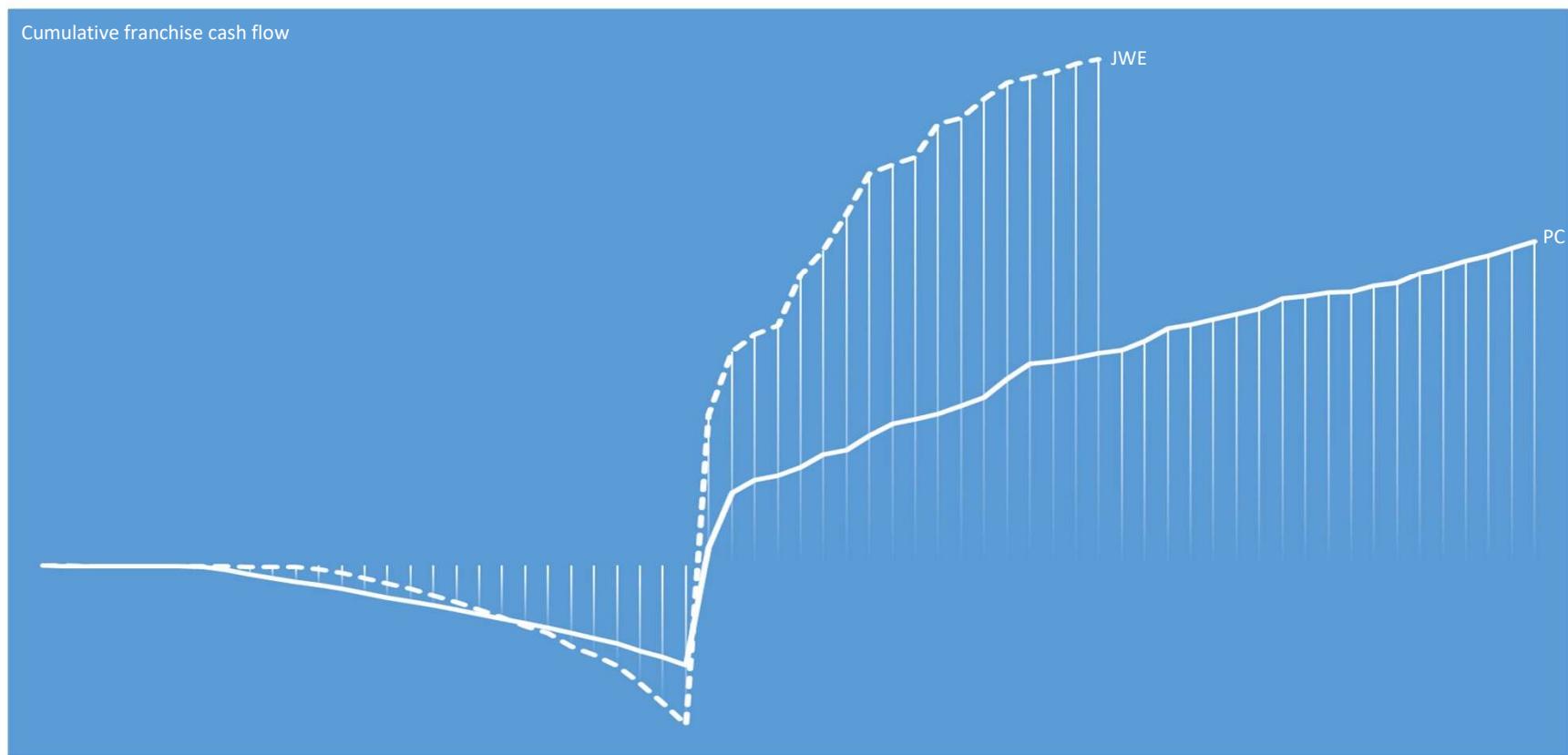
# BALANCE SHEET

£m	30 Nov' 2019	31 May 2019	30 Nov' 2018
Intangible and tangible assets	<b>47.6</b>	42.8	36.6
ROU asset	<b>23.5</b>	-	-
Receivables & other short term assets	<b>14.1</b>	5.3	7.1
Deferred tax asset	<b>0.6</b>	0.6	0.8
Cash	<b>28.9</b>	35.3	39.5
<b>Total Assets</b>	<b>114.8</b>	84.1	83.9
Payables	<b>(9.4)</b>	(9.9)	(10.9)
Deferred income	<b>(1.5)</b>	(1.5)	(3.5)
Tax creditor	<b>(1.6)</b>	(1.0)	(0.9)
ROU liability	<b>(24.2)</b>	-	-
<b>Total Liabilities</b>	<b>(36.7)</b>	(12.4)	(15.3)
<b>Net Assets</b>	<b>78.1</b>	71.6	68.6

This summary has been presented in millions of GBP to one decimal place and as a result some rounding adjustments are necessary.

# LAUNCHING AND SUSTAINING A GAME FRANCHISE

Our approach; to develop and launch a game with the full intention of supporting it over many years, in order to stimulate our target audience over the long term, delivering sustainable multi-year revenue and earnings.



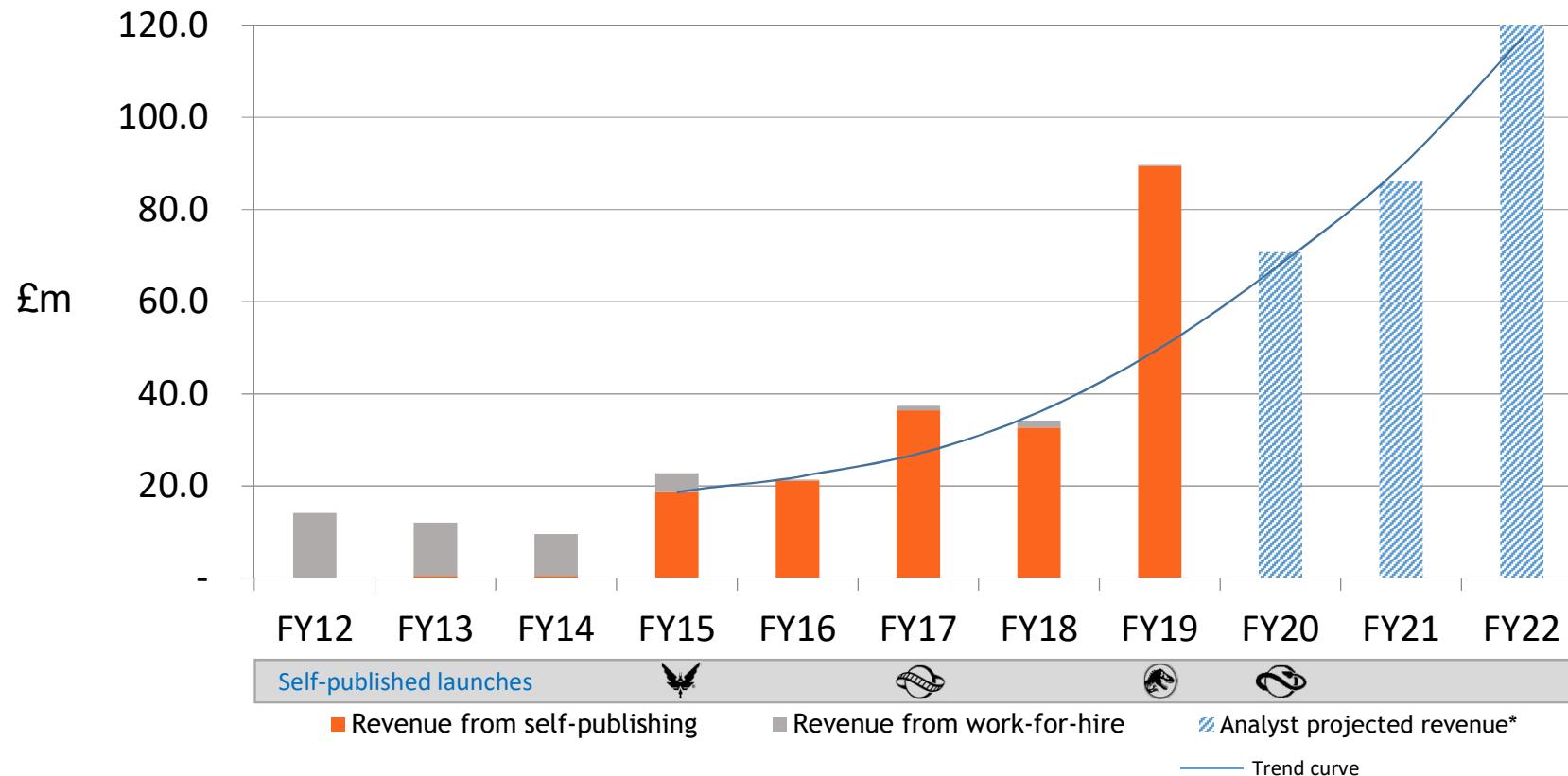
# FRONTIER PUBLISHING

- Frontier Publishing is our third party publishing initiative, which is expanding the Company's game portfolio through external development partnerships to supplement our own internal development roadmap.
- We are well positioned for success:
  - Our truly developer-led approach is highly attractive to potential development partners
  - A long track record of success in development, including project selection and execution
  - Our proven publishing expertise in a competitive sector
  - Our strong relationships with platform holders, distributors and IP owners
  - Our cash resources
- Three partnerships have been signed to date, including the agreement announced with Haemimont Games in June 2019.
- In discussions with a number of carefully-selected potential development partners with games at various stages of development.
- We expect to start earning revenue in the next financial year.
- We expect that the Frontier Publishing business will become a material contributor to the group in years to come, as more partnerships are agreed.



# HISTORIC REVENUE & ANALYST PROJECTIONS

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



\* Average of projections from Liberum, Jefferies, Citi, Credit Suisse, Peel Hunt, Berenberg, Shore, Investec, Arden, finnCap and Goodbody

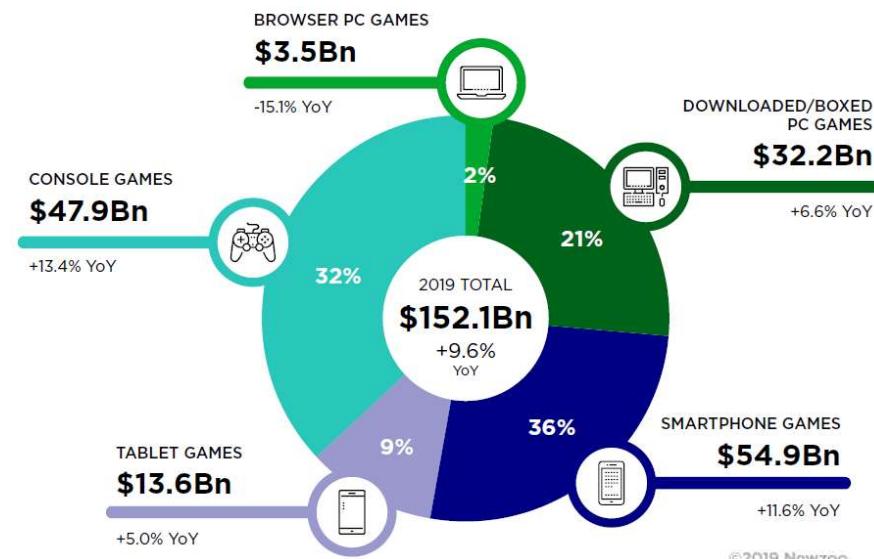
# GAMES INDUSTRY

## THE PLAYERS

Games companies	Country	Value*	Dev. & Pub.
Microsoft	US	\$1,310bn	Y
Tencent	CN	\$469bn	Y
Sony	JP	\$90bn	Y
Nintendo	JP	\$49bn	Y
Activision Blizzard	US	\$47bn	Y
Electronic Arts	US	\$33bn	Y
Valve	US	<private>	Y
Take Two	US	\$14.4bn	Y
Ubisoft	FR	\$9.2bn	Y
CD Projekt	PL	\$6.9bn	Y
Square Enix	JP	\$6.1bn	Y
Zynga	US	\$5.8bn	Y
Konami	JP	\$5.6bn	Y
Capcom	JP	\$3.9bn	Y
Sega Sammy	JP	\$3.7bn	Y
THQ Nordic	SE	\$2.7bn	Y
Paradox	SE	\$1.7bn	Y
Keyword Studios	UK	\$1.1bn	Services
Team 17	UK	\$854m	Y
<b>FRONTIER</b>	<b>UK</b>	<b>\$716M</b>	<b>Y</b>
Codemasters	UK	\$591m	Y
Sumo Digital	UK	\$380m	Services

\* As at 31 January 2020

## THE MARKET



## CURRENT & FUTURE THEMES

- Sector continues to grow – console grew faster than smartphone
- Content is king
- The development of truly interactive mass audience live entertainment



2019

gamescom  
award

# GROWING OUR PORTFOLIO, WITH MORE TO COME...

- **Current trading and outlook:**
  - *Planet Zoo* is our fourth successful launch (out of four) since transitioning to self-publishing, and our biggest to date on PC (based on units)
  - Our strategy of launching and then nurturing self-published franchises continues to deliver
  - All four franchises continue to perform well through both game sales and PDLC
  - We are on-track to deliver profit in-line with expectations, with revenue in the £65-73 million range
- **Now achieving one or more major internally developed release per year**
  - FY19 – *Jurassic World Evolution*
  - FY20 – *Planet Zoo*
  - FY21 - a major new release for *Elite Dangerous* plus *Planet Coaster* coming to PS4 and Xbox
  - FY22 - two internal games planned, one of which will be a major global IP license
  - We are a proven custodian of IP, giving us a strong position as entertainment companies seek more interactive opportunities
  - Multiple other major internal projects in various stages of development - we are well placed to continue to grow a broad portfolio of franchises, each different to the last
- **Frontier Publishing is further accelerating scale-up with three titles signed to date and more in progress**
  - Frontier Publishing will become material in future years
  - Acquisitions and commissions have been, and will be, considered

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# APPENDIX

# OUR HISTORY (1) - WORK-FOR-HIRE

## 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

## OUR HISTORY (2) - SELF-PUBLISHING

- The rise of digital distribution was the catalyst to transition to self-publishing
- Self-publishing gives best financial (and creative) RoI for our expertise
- ‘Kickstarter’ funding for *Elite* sequel led to July 2013 IPO
- No change to our successful development process
- Online digital distribution removed physical retail barrier-to-entry
  - Use our own store plus key 3<sup>rd</sup> party stores; Steam & others (PC), XBOX, PS4
- Added marketing and customer support
  - Engage with our player communities directly
- We are now over 500 people, all based in Cambridge



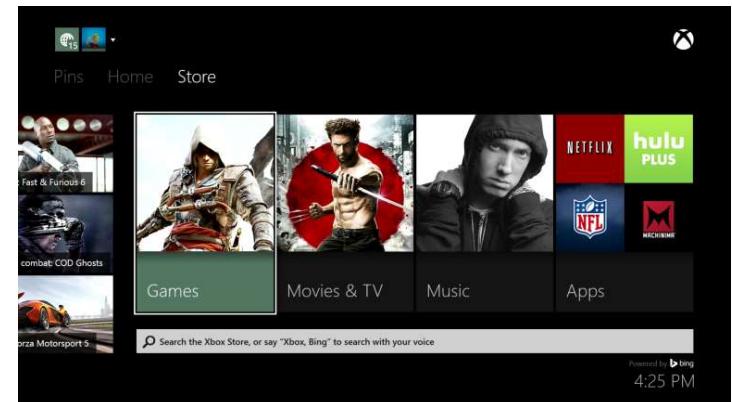
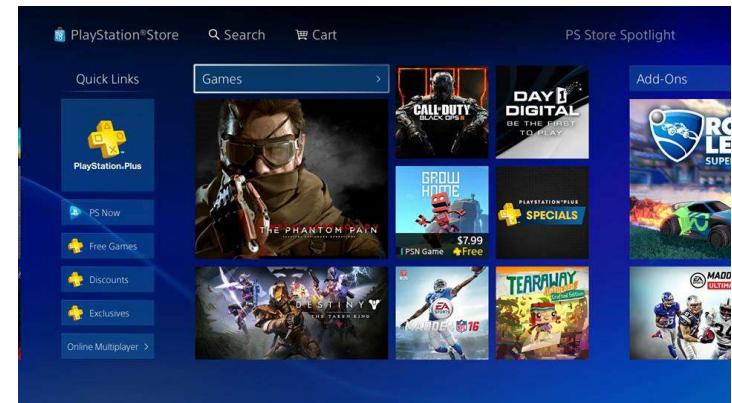
# THE GAMES INDUSTRY 1985 - 2010

- **Route to market controlled by publishers**
    - Publishers: marketing, owned brand, owned customer relationship, funding
    - Developers: development, design, production
    - Development and Publishing fundamentally separate.
  - **Risky, hit-based business**
    - Retail channel crowded
    - Games had ~4 weeks to sell through before losing out to piracy and pre-owned.
    - Excessive marketing could trump quality (e.g. Rise of the Robots) but caused resentment
    - Up-front inventory of physical goods were a big risk and cost
  - **This is the ‘old world’**



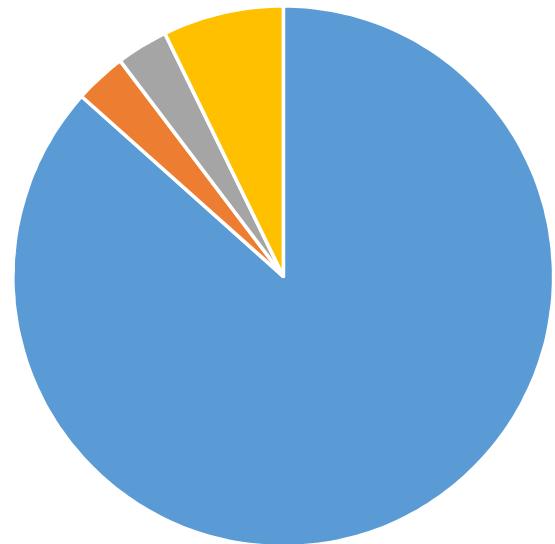
# GAMES INDUSTRY NOW

- **ROUTE TO MARKET WIDE OPEN DUE TO RISE OF ONLINE ACCESS**
  - Rise of the internet has bypassed the high street
  - Low barrier to entry. Huge numbers of players. Reputation essential for 'discoverability'
- **OPPORTUNITY FOR LONG TERM PLAYER ENGAGEMENT**
  - Building communities
  - Games as a service - now engage with players over years not weeks
- **LEGACY PUBLISHING STILL IN THE 'OLD WORLD'**
  - Activision, EA, Take Two, etc, still have major separation between dev and publishing
  - Reliance on physical distribution for initial splash – reducing longevity
  - 'Old World' still exists with development and publishing separated

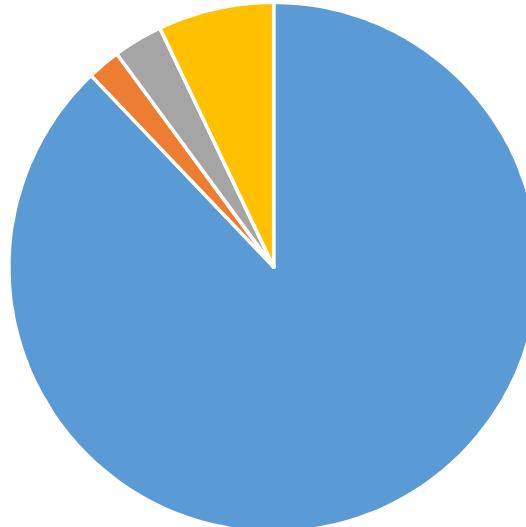


# SOURCES OF IP FOR TOP-SELLING GAMES

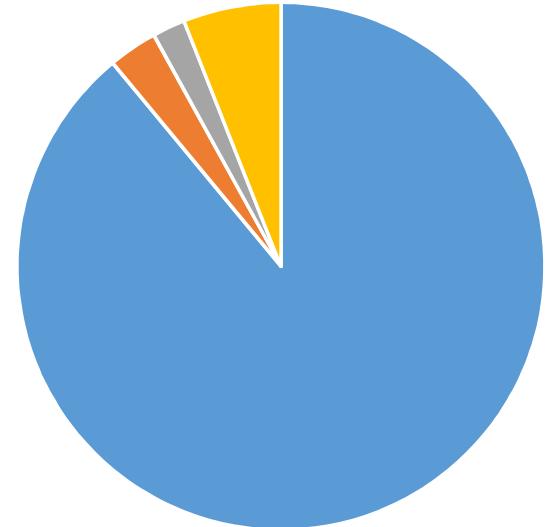
PC 2017



PC 2018



PC 2019



■ Game

■ Film

■ Sports

■ Book

Sources:

- Steam 100 Top Sellers 2017, 2018, 2019: store.steampowered.com

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