



# FY23 INTERIM FINANCIAL RESULTS

FOR THE PERIOD 1 JUNE 2022 TO 30 NOVEMBER 2022

JANUARY 2023



# FRONTIER FY23 INTERIM FINANCIAL RESULTS

## JANUARY 2023

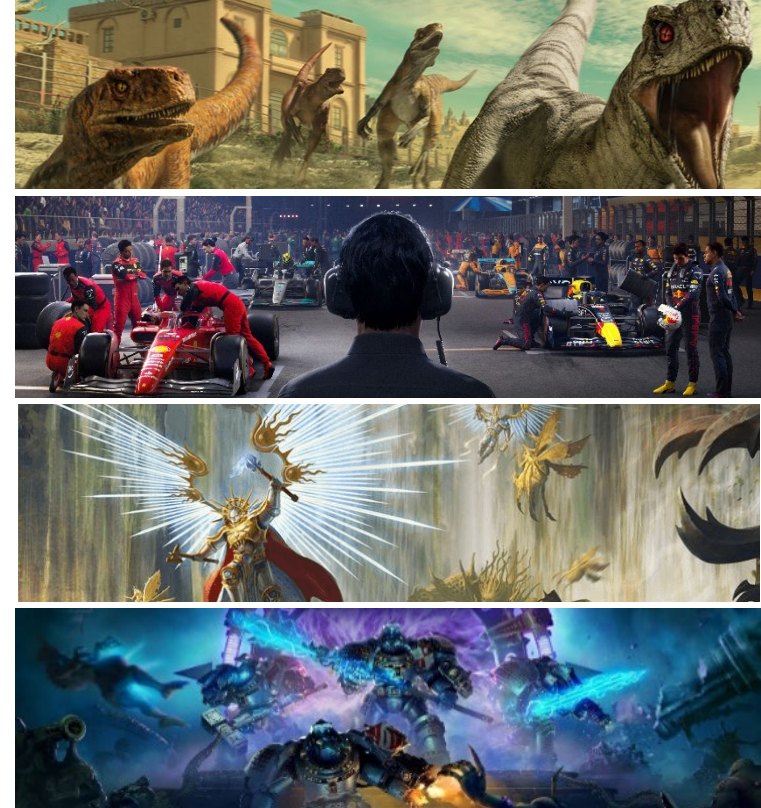
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Jonny Watts  
CEO



Alex Bevis  
CFO



# H1 FY23 HEADLINES

## A SOLID HALF-YEAR – REVENUE UP 16% TO £57 MILLION

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### Financial Headlines

- H1 FY23 revenue up 16% to £57 million (H1 FY22: £49 million)
- Operating profit was £6.9 million (12% margin) (H1 FY22: operating loss of £1.3m)
- Adjusted EBITDA an outflow of £0.6 million, reflecting continued investment future releases (H1 FY22: outflow of £0.9 million)
- Cash at 30 November 2022 was £42.6 million (31 May 2022: £38.7 million)

### Our existing portfolio

- Our develop, launch and nurture model continues to deliver material revenue from each game over many years
- *Jurassic World Evolution 2* and *Planet Zoo* are our strongest performers in FY23 to date
- Sales during price promotions in December fell below expectations, with evidence of increased player price sensitivity across the portfolio

### *F1® Manager 2022*

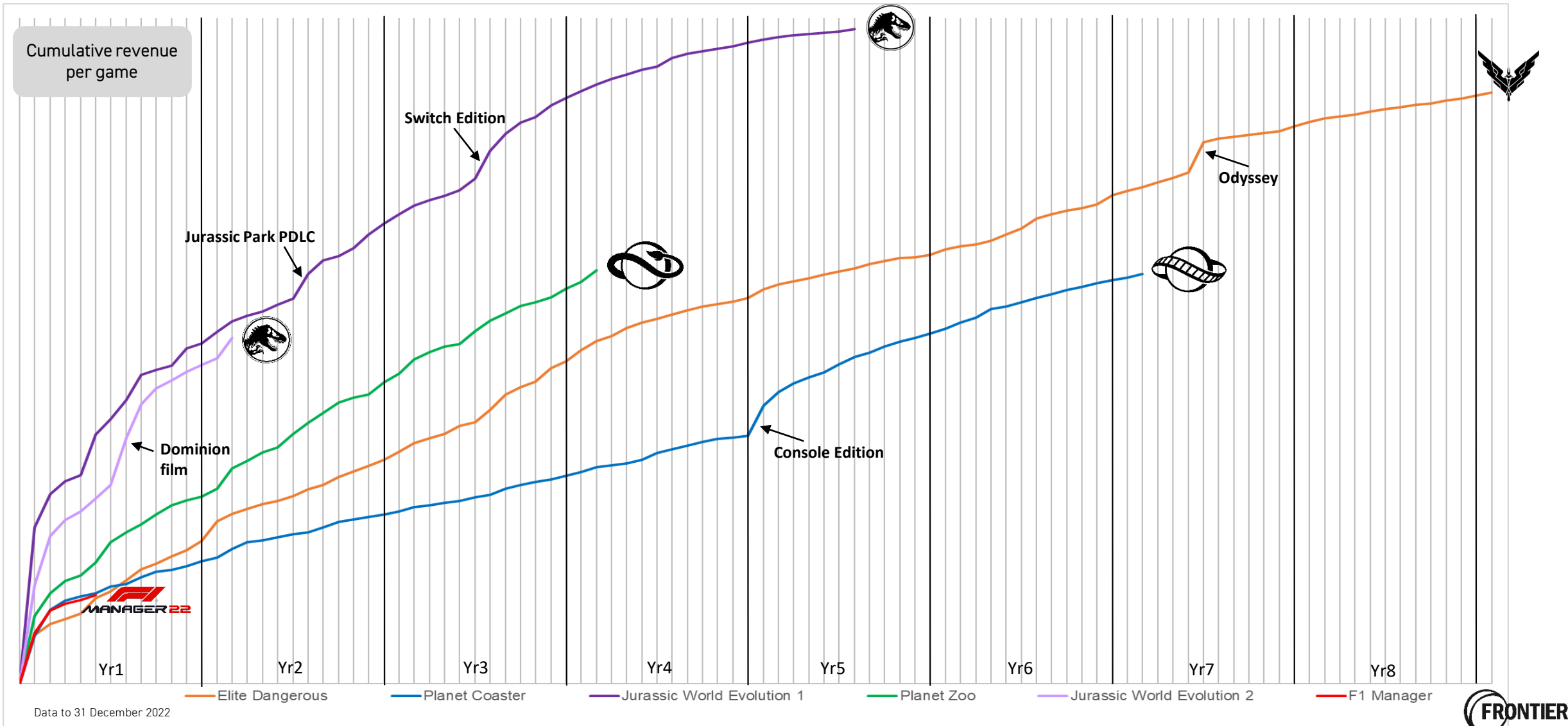
- The first title in a new annual sports franchise released in August, with initial player engagement broadly in-line with original expectations
- Later sales performance for *F1® Manager 2022* during key holiday season price promotions fell materially below original expectations
- *F1® Manager 2022* remains a good first game and we will continue to enhance the *F1® Manager* franchise over the coming years

### Foundry

- Foundry, our third party games label, has supported eight different titles to date, with six released and two launching in the next few months
- We are assessing our Foundry strategy in light of mixed financial success to date and increased competition in the third-party publishing market

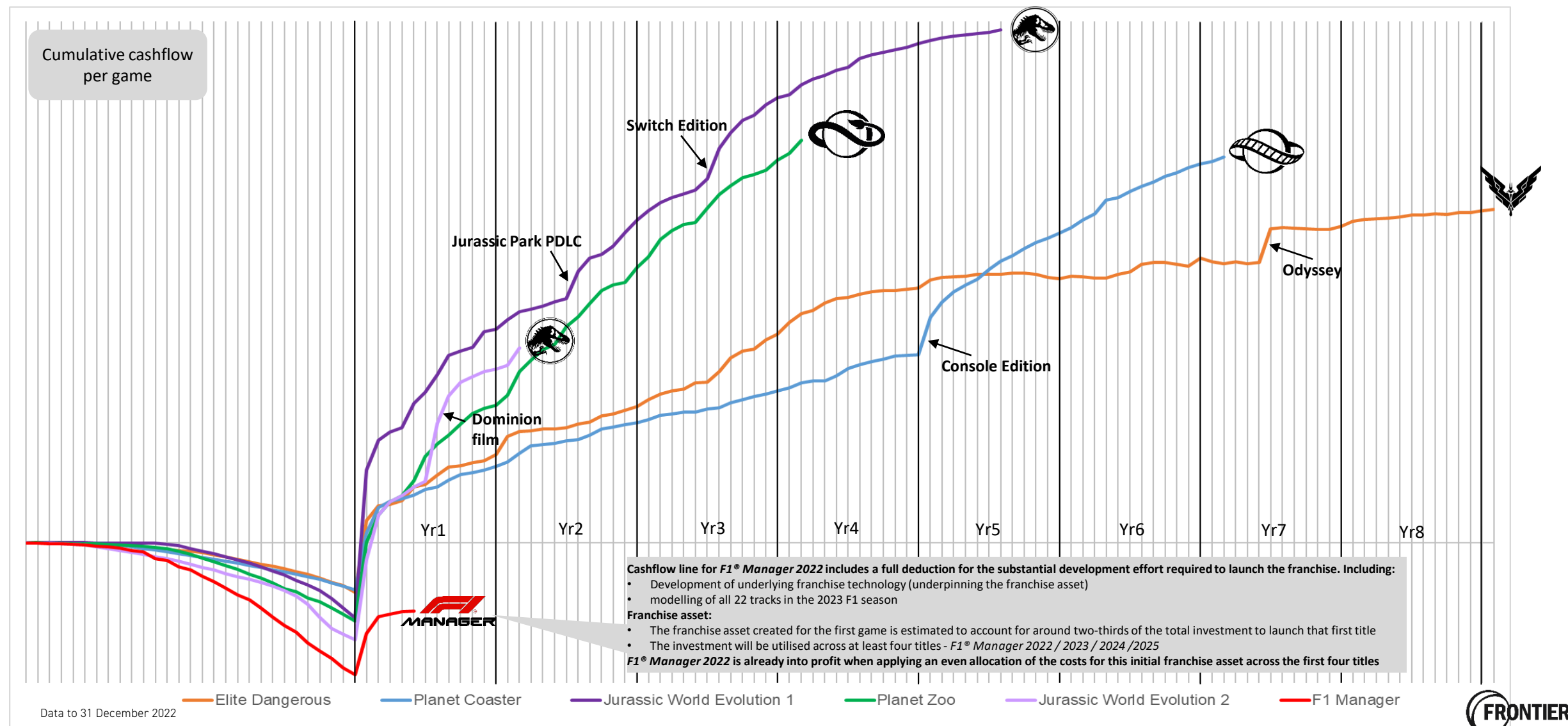
# OUR DEVELOP, LAUNCH AND NURTURE MODEL

## DELIVERING MATERIAL REVENUE CONTRIBUTIONS OVER MANY YEARS



# OUR DEVELOP, LAUNCH AND NURTURE MODEL

## DELIVERING POSITIVE CASH FLOWS OVER MANY YEARS



# H1 FY23 FINANCIAL RESULTS

## INCOME STATEMENT

£m	H1 FY23	H1 FY22	% change
<b>Revenue</b>	<b>57.1</b>	49.1	16%
Cost of sales	(21.0)	(18.3)	15%
Gross profit	36.1	30.8	17%
GM%	63%	63%	-
Gross R&D	25.9	22.2	16%
Capitalised costs (game dev & Frontier tech)	(18.4)	(15.8)	17%
% of gross R&D capitalised	71%	71%	-
Amortisation (game dev & Frontier tech)	8.6	12.2	(29%)
Net R&D	16.1	18.6	(14%)
S&M	6.9	7.5	(8%)
G&A	6.3	6.0	5%
Total Opex	29.3	32.1	(9%)
<b>Operating profit/(loss)</b>	<b>6.9</b>	(1.3)	n/a
Op. margin %	12%	(3%)	15pp
Interest & tax	(0.1)	(0.3)	n/a
<b>Profit/(loss) after tax</b>	<b>6.7</b>	(1.7)	n/a
Basic EPS (pence)	17.2	(4.2)	n/a

- Two-thirds of revenue was generated from existing games which had been released before June 2022
- One-third of revenue from new releases - *F1® Manager 2022* and *Stranded: Alien Dawn*
- PDLC accounted for 30% of total revenue in H1 FY23 (H1 FY22: 25%)
- Gross profit margin maintained at 63%, underpinned by the continued contribution from the existing portfolio
- Gross R&D grew through increased investment in people. Partly offset by a reduction in outsource costs, particularly related to *F1® Manager*
- Net R&D expenses reduced by £2.5 million mainly as a result of the full amortisation of *Elite Dangerous: Odyssey* during FY22
- Sales, marketing, general and admin costs maintained at similar levels to the comparative period
- Operating profit rebounded to £6.9 million from an operating loss of £1.3 million in H1 FY22

\*Numbers may not cast in £m due to rounding differences



# H1 FY23 FINANCIAL RESULTS

## PROFITABILITY MEASURES

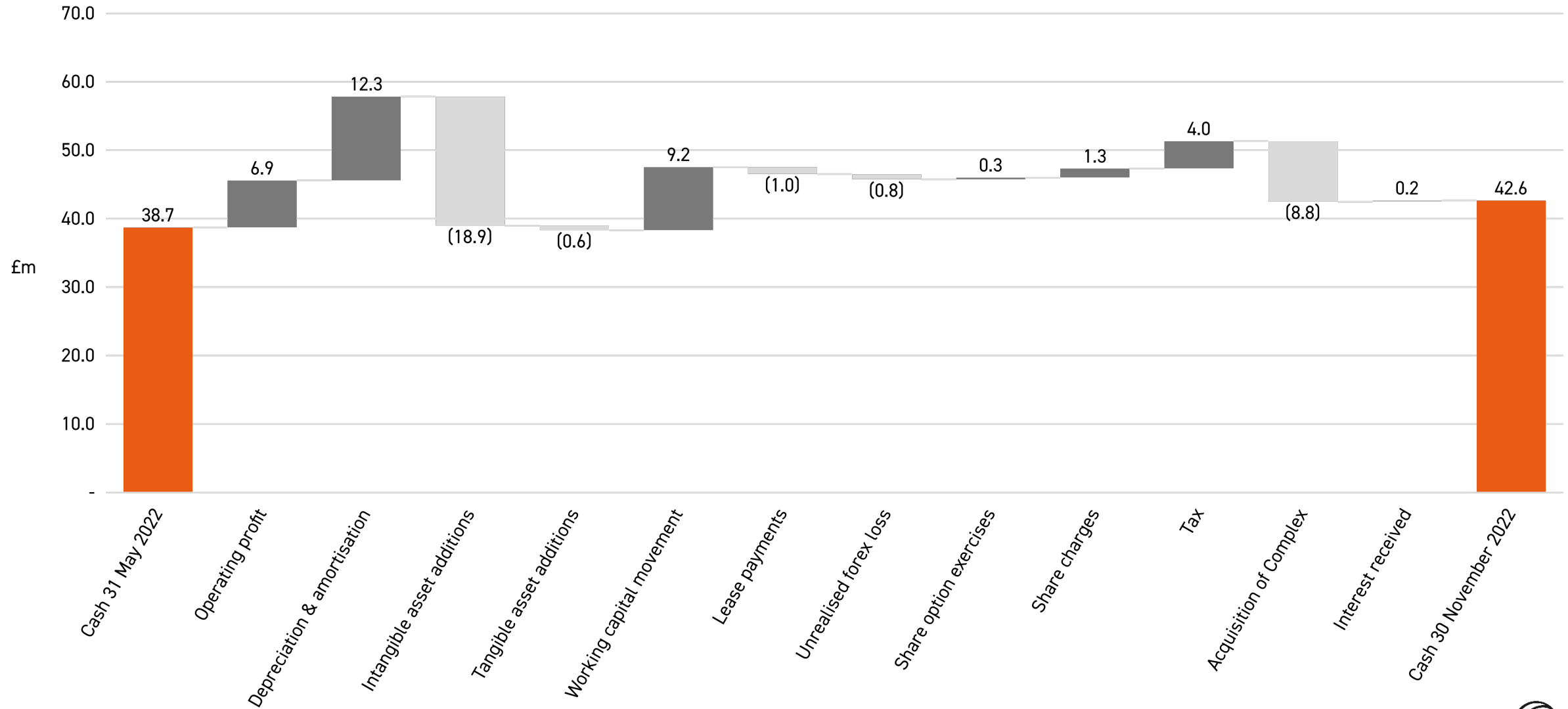
£m	H1 FY23	H1 FY22	Change
<b>Operating profit</b>	<b>6.9</b>	(1.3)	8.2
Add back non-cash intangible asset amortisation charges for game developments and Frontier's game technology	<b>8.6</b>	12.2	(3.6)
Deduct capitalised investment costs in game developments and Frontier's game technology	<b>(18.4)</b>	(15.8)	(2.6)
Add back non-cash depreciation charges	<b>1.9</b>	1.7	0.2
Add back non-cash movements in unrealised exchange (gains)/losses on forward contracts	<b>(0.8)</b>	1.2	(2.0)
Add back non-cash share-based payment expenses	<b>1.3</b>	1.2	0.1
<b>Adjusted EBITDA</b>	<b>(0.6)</b>	(0.9)	0.3

- Adjusted EBITDA is a measure of cash profit
- Main reconciling items from operating profit are to adjust out both capitalised costs and amortisation charges
- The small outflow of £0.6m in H1 FY23 reflected continued investment in future titles and support for existing games

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# H1 FY23 FINANCIAL RESULTS

## CASHFLOW



\*Numbers may not cast in £m due to rounding differences

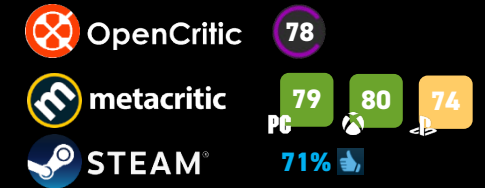


## OUR GAMES

### *F1® MANAGER 2022*

#### HEADLINES

- *F1® Manager 2022* is the first annual title in a major new sports franchise for Frontier
- Over 600,000 units sold to date
- Good engagement from core audience of F1 fans who are gamers
- Less success than expected in reaching a wider audience
- Building on a strong core foundation, *F1® Manager 2023* will broaden the audience with a more immediate game mode





## OUR GAMES

### *JURASSIC WORLD EVOLUTION 2*

#### HEADLINES

- 'Double launch' strategy has been effective, with PDLC performing well
- Delivered £73 million of revenue in its first 14 months – 96% of the £76 million achieved by *Jurassic World Evolution* in its first 14 months
- Has sold over 1.8 million base game units to date
- PDLC is scheduled throughout CY2023





## OUR GAMES

### PLANET ZOO

#### HEADLINES

- Continues to contribute strong annual revenue through both base game sales and PDLC sales
- Has sold over 3.4 million base game units to date
- Revenue in CY2022 was 82% of revenue in CY2021
- PDLC scheduled throughout CY2023





## OUR GAMES

### *WARHAMMER AGE OF SIGMAR* REAL-TIME STRATEGY GAME

#### HEADLINES

- First real-time strategy (RTS) for Frontier – an adjacent genre
- Warhammer IP has been proven to be an excellent enabler for RTS games
- We have exclusive rights to the *Warhammer Age of Sigmar* brand
- We are creating a great RTS experience for both PC and console players
- Scheduled for release in FY24 (during the 12 months to 31 May 2024)



# OUR STRATEGY

## NURTURING AND EXPANDING OUR INTERNALLY DEVELOPED PORTFOLIO

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### Consolidating on our long-track record of success in the creative management simulation genre

- Over twenty years of success in this segment - *Roller Coaster Tycoon 3* (2004) is still delivering around £2m of revenue per year
- *Planet Coaster* (2016), *Jurassic World Evolution* (2018), *Planet Zoo* (2019) and *Jurassic World Evolution 2* (2021) and are all genre leaders
- All have delivered material annual revenue contributions through our develop, launch and nurture model
- Total cumulative revenue from those four titles alone is approaching £400 million
- Each of those titles has delivered strong and growing returns on investment

### Expanding into adjacent genres

- We will continue to expand into genres adjacent to the creative management simulation genre
- Our first self-published title, *Elite Dangerous* (2014), is a good example of this, where we identified a gap in the space simulation genre and delivered a sophisticated and engaging game which evolved and expanded over time
- We have just entered the annual management simulation sports genre with *F1® Manager*
- Recent sales of *F1® Manager 2022* have been below expectations but it remains a good first game, and we will build on it going forwards
- Our *Warhammer Age of Sigmar* game is Frontier's first real-time strategy title. Development is going well and is on-track for FY24 release
- We will continue to review opportunities in adjacent genres, in order to carefully expand our portfolio and expertise over time

# OUR STRATEGY

## MANAGING OUR PORTFOLIO MIX

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### Portfolio mix

- We have been successful with both own-IP and licenced IP games. We believe a mix is important
- We also believe a mix is important between games in the creative management simulation genre and games in adjacent genres
- On most recent two releases and our next two releases all utilise licenced-IP, with one game in the creative management simulation space - *Jurassic World Evolution 2* (released in FY22) - and three games in adjacent genres - *F1<sup>®</sup> Manager 2022* (released in FY23), *F1<sup>®</sup> Manager 2023* (scheduled for FY24) and our *Warhammer Age of Sigmar* real-time strategy game (scheduled for FY24)
- For FY25 we plan to release *F1<sup>®</sup> Manager 2024* plus an own-IP creative management simulation game



## OUR STRATEGY



- We started Foundry in summer 2019 with the signing of experienced developer Haemimont Games, based in Bulgaria
- Our objective was to utilise our experience and resources to bring games developed by other studios to market
- Foundry has supported eight different games to date, with six released games and two titles launching in the next few months
- We have had mixed experience in terms of financial success to date
- The environment for third-party publishing has becoming more challenging, including through competition
- We are therefore assessing our strategy for Foundry, which we expect to complete by 31 May 2023
- We remain committed to, and excited by, the titles currently in development for release in FY23 – *Deliver Us Mars* and *The Great War: Western Front*
- We currently do not have any Foundry titles scheduled for release in FY24

# OUR STRATEGY

## DEVELOPING OUR PEOPLE

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### Our people

- Our people strategy is a critical element of our ability to develop, nurture and expand our game portfolio
- We have grown our team substantially over the last ten years. Continuing to invest in our people is vital for our long-term success
- That investment means developing our people as well as growing our headcount
- We are also growing the number of our development teams. Today we have six teams of varying sizes supporting existing games and developing new ones, and we plan to grow that number
- We started CY2023 with 843 people across all our teams, with 511 people in development, 147 in QA, 103 in publishing and 82 in support functions. We expect to continue to grow our team in FY23 and beyond

### Acquisitions

- Acquisitions can provide growth acceleration opportunities for both our human resources and our portfolio
- In November 2022 we completed our first acquisition - Complex Games, developer of *Warhammer: Chaos Gate – Daemonhunters*
- Based in Winnipeg, Canada, Complex provides us with a development hub to build upon in a new region, which supports our growth in the number of our development teams
- We will continue to review acquisition opportunities, focussing on those which support our strategic objectives of growing both our team and our portfolio

## OUR FOCUS IN CY2023

### DELIVERING ON FY23 AND SETTING OURSELVES UP FOR GROWTH IN FY24 AND BEYOND

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- On 9 January 2023 we reset our guidance for FY23 in response to lower sales of *F1® Manager 2022*, a more challenging economic outlook, and variability on the contribution from Foundry:
  - FY23 revenue of not less than £100 million, with the potential remaining to surpass £114 million (FY22's performance)
  - FY23 operating profit range £2 million to £10 million
- We set expectations for FY24 revenue growth of 5% above the eventual revenue outcome for FY23, in light of current market and portfolio uncertainties, and the absence of new titles from Foundry releasing in FY24
- Our focus areas for CY2023:
  - Ensure we deliver against our revised FY23 financial guidance
  - Make *F1® Manager 2023* a more accessible game that appeals to a wider audience
  - Optimise the release timing and launch strategy for *F1® Manager 2023*
  - Deliver and launch a successful real-time strategy game with our *Warhammer Age of Sigmar* RTS releasing in FY24
  - Complete our review of Foundry by 31 May 2023
  - Continue to develop and grow our people
  - Increase our focus on return on investment across all activities at Frontier
  - Continue to plan and develop our games for release in future financial years



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