



AN EXCITING FUTURE



Reflecting on our progress since writing my last report in the summer of 2019, I am delighted with the achievements of our teams across all areas of our business, particularly through the challenges of Covid-19.

Regarding our internally developed game portfolio, we have further expanded our offering with another successful major game release, *Planet Zoo*, which has become our best-selling PC game, crossing 1 million base game units in less than six months. As usual we have supported all of our games with free and paid content, together with active community management, which has in turn delivered strong ongoing sales performance. As a result, all four titles delivered material contributions in FY20, and it was pleasing to pass a sales milestone for Frontier in the period with a combined total of 10 million base game units sold across our four titles since we listed.

Our vision is to be the most respected entertainment company in the world.

DAVID BRABEN
FOUNDER AND CEO

In addition to new game developments and PDLC packs, our teams have been working hard to deliver three major new releases for our existing game portfolio during FY21. *Jurassic World Evolution: Complete Edition* will be launching on the Nintendo Switch, *Planet Coaster: Console Edition* is coming to PlayStation and Xbox, and players will soon be able to get out of their ships and SRVs (Surface Reconnaissance Vehicles) with *Elite Dangerous: Odyssey*. These major achievements are made possible by the talent, experience and hard work of our teams, combined with our technology leadership through the continued investment in our own COBRA game engine.

In spring 2020 we signed two major new IP licences to further strengthen our future roadmap. In March 2020 we confirmed a deal with Formula 1® with exclusive rights to an annual PC and console management game, with the first game planned for the 2022 F1 season. In May 2020 we revealed a licence with Games Workshop for exclusive rights to a real-time strategy game for the globally popular *Warhammer Age of Sigmar*. It's great to see such strategic progress with IP owners and follows on from our successful partnership with Universal Games and Digital Platforms on *Jurassic World Evolution*, Sony Pictures with *Ghostbusters* and previous partnerships during our work-for-hire period.

These deals, together with the unrevealed major global IP licence announced in March 2019, mean we now have two major new multi-platform game releases for each of FY22 and FY23 which will each benefit from world-class IP licences. We anticipate achieving two major new releases per year on average thereafter from internal developments, which is a significant step up from the cadence of one release every two years from our first two releases in December 2014 (*Elite Dangerous*) and November 2016 (*Planet Coaster*).



FRONTIER FOUNDRY

Frontier Foundry, our own games label for third-party publishing, leverages our publishing capability, industry experience, commercial partnerships, and financial resources to supplement our own development roadmap by partnering with other high-quality developers to bring more games to market. It emphasises the importance of our long experience of development and our thorough understanding of the issues that arise during development. I believe a significant reason we have been, and will continue to be, successful here is that we are one of the few developer-led publishers in the world and this translates to great working relationships with developers who choose to work with Frontier Foundry.

We have made excellent progress with six games signed to date, including five signed during FY20. Through this initiative, we published our first title, *Struggling*, on PC and Nintendo Switch in August 2020. The response to this new and unique game has been positive, for what is clearly quite a different game to our existing internally developed portfolio. We have one more title, *Lemnis Gate*, scheduled for the current financial year, FY21, with three titles so far planned for FY22 and one for FY23. We are aiming for Frontier Foundry to achieve five to six releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.



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CURRENT TRADING AND OUTLOOK

Frontier is very well placed for the future with exciting major releases planned for FY21 to support and extend our four existing and successful franchises, together with new games published by Frontier Foundry.

Elite Dangerous has continued to be very successful since its first early access launch in December 2013 and full release in December 2014. It has hit its highest player numbers this year, in its seventh year, helped by the launch of *Fleet Carriers* and the announcement of the major forthcoming update *Elite Dangerous: Odyssey* due later in FY21 (in calendar Q1 2021), in which players will be able to explore and fight on foot.

Planet Coaster has also continued to perform well, earning greater revenue in FY20 than it did in FY19, wholly on PC. Traditionally, management and simulation games have tended not to appear on console because of the complexity of the controls, but the Frontier team did an excellent job with *Jurassic World Evolution* on console and it was very successful. With this invaluable experience now *Planet Coaster: Console Edition* is coming to console later this year, on both the existing generation, Xbox One and PlayStation 4, and the new generation coming out later this year, PlayStation 5 and Xbox Series X, which is another exciting milestone for the game.

Jurassic World Evolution is still very popular, with the *Jurassic World Evolution: Return to Jurassic Park* PDLC pack performing well in FY20. In August 2020 we revealed that on 3 November 2020 (in FY21) we will be bringing *Jurassic World Evolution* to the Nintendo Switch console. We are incredibly proud of the quality the team have achieved on Nintendo Switch, getting the full game to work without compromise.

Planet Zoo launched to great acclaim in November 2019, and has gone from strength to strength since its release. Both the *Arctic* and *South America* PDLC packs performed superbly in FY20, with the *Australia* PDLC pack in August 2020 (in FY21) following them after the end of the financial year. Additional PDLC packs are planned.

In addition to those major releases for our four existing games in this financial year, FY21 will also benefit from two Frontier Foundry games. The award-winning *Struggling* was launched in August, and *Lemnis Gate*, also an award-winning game, is coming later in the financial year. We are also very pleased that the timeless *RollerCoaster Tycoon 3* will be coming to Switch.

Taking into account actual performance to date and projections for the remainder of FY21, including the anticipated sales of future game/content/platform releases coming during the financial year, the Company is on track to deliver record revenue within the range of £90 million to £95 million for FY21 (the 12 months to 31 May 2021).



CHIEF EXECUTIVE'S STATEMENT CONTINUED

STRATEGIC REPORT

OUR INDUSTRY

The games market continues to grow strongly, and for several years now it has been the largest sector within the \$300+ billion entertainment industry which includes games, film, TV, and music.

With audiences craving greater levels of interactivity within their entertainment experiences, the lines between games, film and TV continue to blur as each look to add more interactions with their audiences. Frontier already produces hundreds of hours of live 'TV' content (via services like YouTube and Twitch TV) directly each year supporting the different games and their communities, with many thousands of hours from the numerous streamers that regularly play the games, in addition to the games themselves. Frontier is well placed to both drive and support future changes in the wider industry, including the potential addition of whole new forms of entertainment, leveraging our strong relationships with leading entertainment companies.

Historically, the games market has been seen as three different but very roughly equal sectors by revenue: PC, console and mobile, but in the context of the rise of new services especially streaming, it is worth looking at these again. PC and console are characterised by their high-quality cinematic content. Typical sessions are half an hour or more, with a fair amount of 'context' that the player carries in their head. With mobile they are more typically five minute sessions, where there is almost no 'context' to remember – everything is immediately apparent on the screen. That is not to say that 'cinematic' games with longer play times do not appear on mobile, but they are more likely to be played statically with a constant network connection, so arguably are not literally 'mobile'; they are also not typically the more successful – such games generally have better success on PC or console, at least in the Western world. This, together with the expectation of lower price or free to play makes mobile games a very different market. The rise of streaming services may help blur the boundaries once such services become more established over the next few years.

Our main development focus is on rich, engaging cinematic experiences on PC and console, as the audiences on these platforms greatly value games exhibiting Frontier's key development strengths of compelling gameplay and high production quality. Currently, the mobile sector is overcrowded and has a very low barrier to entry, making audiences less predictable and much less influenced by quality. 'Discoverability' (the ability to find a title) is also better on PC and console, with excellent support from reviewers, content creators and social media.

The entire games market is moving rapidly towards digital download as the primary delivery model, and this transition has almost certainly been further accelerated by the Covid-19 stay-at-home restrictions during 2020. Mobile and PC have been close to 100% digital for several years, and the console audience is quickly catching up, as focus shifts to the new generation of hardware, and older business models are replaced. Digital sales represented 97% of Frontier's revenue in FY20, with only 3% from sales of physical discs (FY19: 15%).

Streaming services provide an interesting new distribution model which has emerged over the last couple of years. These services have only taken a small share of the market to date, and technical considerations and player inertia might mean that streaming games from the cloud to consumer devices may take several years to become mainstream.

Our particular focus on 'launch and nurture', which is effectively a 'games as a service' model, is working very well, producing four successful titles so far, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

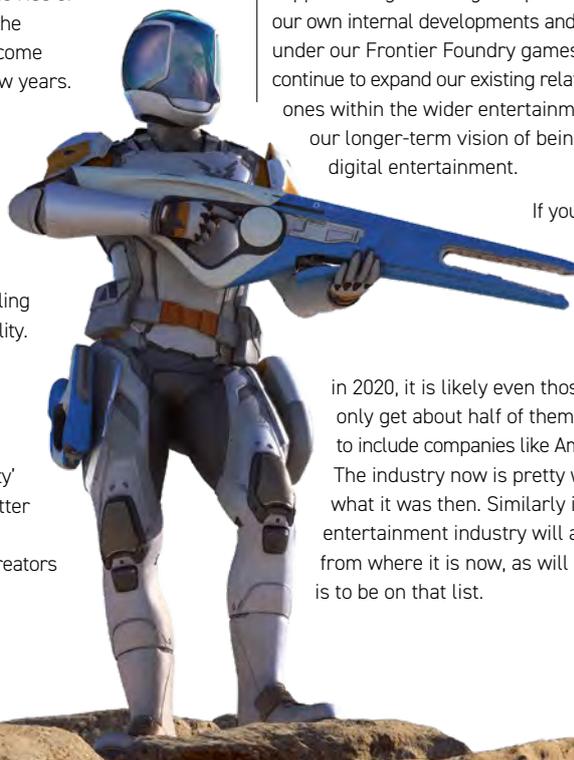
OUR VISION

Our vision for Frontier is to become one of the most respected entertainment companies in the world. As the boundaries between the different entertainment mediums continue to blur, Frontier is in a great position to lead the evolution and the merging of those mediums. As a leading developer and publisher of high-quality sophisticated and immersive game experiences, the foundations for achieving our vision are strong. We have a long and diverse track record of success in both development and publishing, we have strong relationships with platforms and IP owners and have become a trusted and go-to partner for major global IPs, and we nurture our games and our player communities over many years to achieve sustainable success.

In the medium term we are laser focused on continuing to support and grow our game portfolio, which includes both our own internal developments and our partner developments under our Frontier Foundry games label. Meanwhile, we continue to expand our existing relationships and add new ones within the wider entertainment industry, to support our longer-term vision of being a key player in digital entertainment.

If you look back ten years and imagine listing what you thought the top dozen most respected entertainment companies would be

in 2020, it is likely even those in the industry would only get about half of them right (failing for example to include companies like Amazon, Netflix and Tencent). The industry now is pretty well unrecognisable from what it was then. Similarly in ten years' time the entertainment industry will again be unrecognisable from where it is now, as will Frontier, but our goal is to be on that list.





OUR STRATEGY AND BUSINESS MODEL

We believe that publishing our own games, and selectively those of other high-quality development studios, is the best way to maximise the benefit of our core skills, our assets and our COBRA technology platform. The Company's focus is on identifying, developing and delivering top-quality, PC and console titles for digital distribution.

We will continue to follow our repeatable model to support our games over many years with new releases and updates, and to create further titles in underserved game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences. Frontier's games take a long time to fully master, so yield longevity and great value for players. This longevity and loyalty of our great communities should help further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through successfully publishing a growing number of game franchises. Our strategic focus is on two key areas:

- developing our business to achieve repeatable success; and
- creating and managing game franchises.

We continue to grow our teams so that we can continue to support our existing games while also increasing the frequency of major new releases. The increase in the number of releases supporting our existing games, such as major PDLC launches, helps to smooth revenue, but major releases of new games are still a significant factor in the revenue stream. As we scale the frequency of new game releases over future years this will have a smoothing effect on growth, but in the meantime revenue is sensitive to the specific schedule of such releases and may therefore exhibit 'stepped' behaviour across financial years, as those new games are released.

We are growing our portfolio, and consequently we are increasing our development team to enable us to support additional games while generating new content for our existing titles. We will continue to grow our resources and capability to enable us to achieve two major new internally developed releases per year, on average, from FY22. This will not require us to increase our workforce linearly because supporting an existing title typically requires fewer staff than creating a new one.

As stated in the Group's previous Annual Reports and other communications, in addition to the current core model of using internal resources, supplemented by outsourced services, the Group will continue to explore other opportunities to accelerate its scale-up.

Frontier Foundry, our own games label for third-party publishing first announced in June 2019, continues to grow, with six titles signed to date, including two for FY21 (*Struggling* and *Lemnis Gate*), three for FY22 and one for FY23. We are looking to achieve five to six releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.

We will also continue to explore opportunities for commissioning (outsourcing the majority of development of Frontier games to other developers) and enhancing the Group's franchise portfolio or capabilities via acquisitions. The Group has considered a number of possible acquisitions, but so far none has met our valuation, product alignment and culture fit thresholds.

DAVID BRABEN
FOUNDER AND CEO
9 September 2020

FY20 RELEASES