



azerion

Azerion Q3 Update

November 2020

AZERION'S LEADERSHIP

HIGHLY EXPERIENCED MANAGEMENT TEAM WITH FOUNDERS STILL ACTIVE IN THE GROUP



Atilla Aytekin

Group CEO & Co-founder, Chairman of the Board

- Serial entrepreneur for more than 20 years
- Entrepreneurial drive within technology and digital ecosystems
- Founder as well as acquirer of many technological and digital companies



Umut Akpınar

Group CEO & Co-founder, Chairman of the Board

- Serial entrepreneur for more than 20 years
- Founder as well as acquirer of many technological and digital companies, e.g. Triodor Software, Improve Digital, Widespace, Sellbranch and many other companies



Maria del Dado Alonso Sanchez

Group CFO & Executive Board Member

- 20 years of financial experience from global corporations
- Former Global Finance Director at OLX/Naspers, CFO at C&A Netherlands as well as various executive roles at Amazon and Siemens
- MA in Law, MA in Business Administration and MSc in IT Management



Joost Merks

Group CIO & Executive Board Member

- Serial entrepreneur for more than 12 years
- Founder of Yoki which was merged with Azerion in 2015
- Actively involved in the expansional growth of the global business



Sebastiaan Moesman

Group CRO & Executive Board Member

- Entrepreneur & media executive
- Former COO of GroupM Connect, CEO Improve Digital
- Founder of Reddion (later sold to the global media agency WPP)



Cyril Zimmermann

Group Strategic Projects & Executive Board Member

- Founder & CEO of AdUX and Felix Citybird, co-founder of Botnik
- Board member of a number of firms and an investor in companies such as Believe Digital, Botnik, Demotivateur, Frizbiz, Vialife

Q3 FINANCIAL HIGHLIGHTS



Q3 2020 vs Q3 2019

REVENUE



€38.4m to €41.9m

EBITDA



€1.0m to €5.8m

ARPU D30*



€0.69 to €0.95

eCPM



€1.22 to €0.73

PRODUCT LAUNCHES



Sara's Diner

*: Governor of Poker 3

COVID IMPACT



BOND

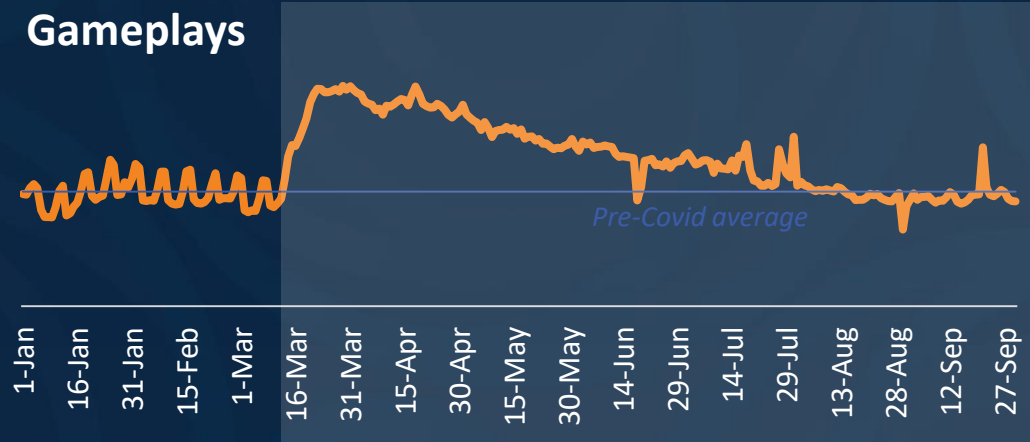
Covenant update

COVID-19 UPDATE

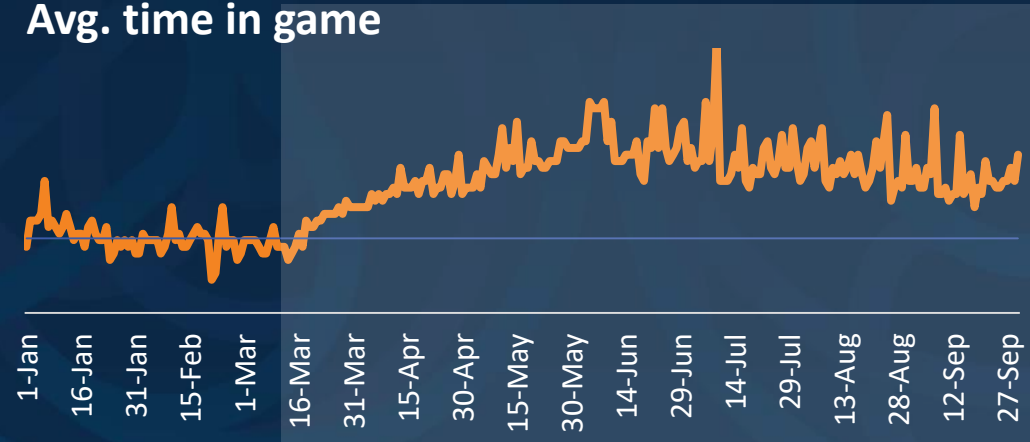


GAMING

Gameplays



Avg. time in game

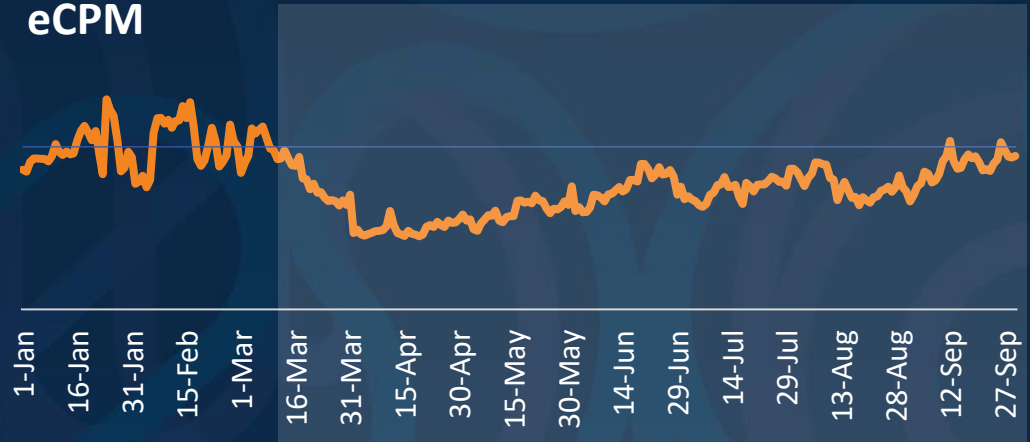


MONETIZATION TECH

Improve Digital revenue



eCPM



AZERION AT A GLANCE

A LEADING GLOBAL **GAMING** AND MONETIZATION **TECHNOLOGY** COMPANY



Gaming and Monetization Company

GLOBAL



15 OFFICES
+850 EMPLOYEES

Strong Owned and 3rd Party Casual Gaming IP's

GAMING



400M GAMEPLAYS
+85M MAU

Owned Monetization Technology/Infrastructure

TECH



+500M USERS REACHED
+9.0BN DIGITAL ADS

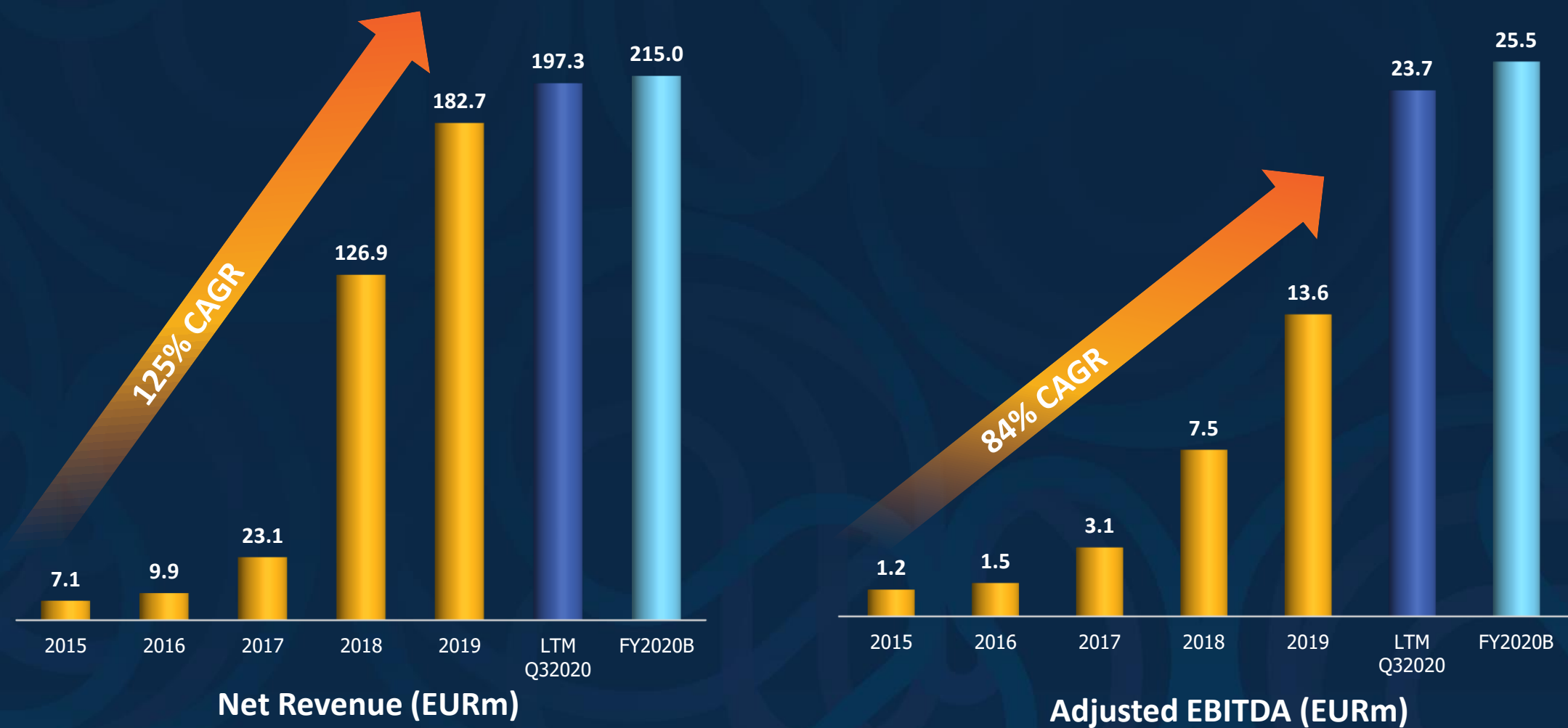
Stellar Growth and Profitable

PROFIT

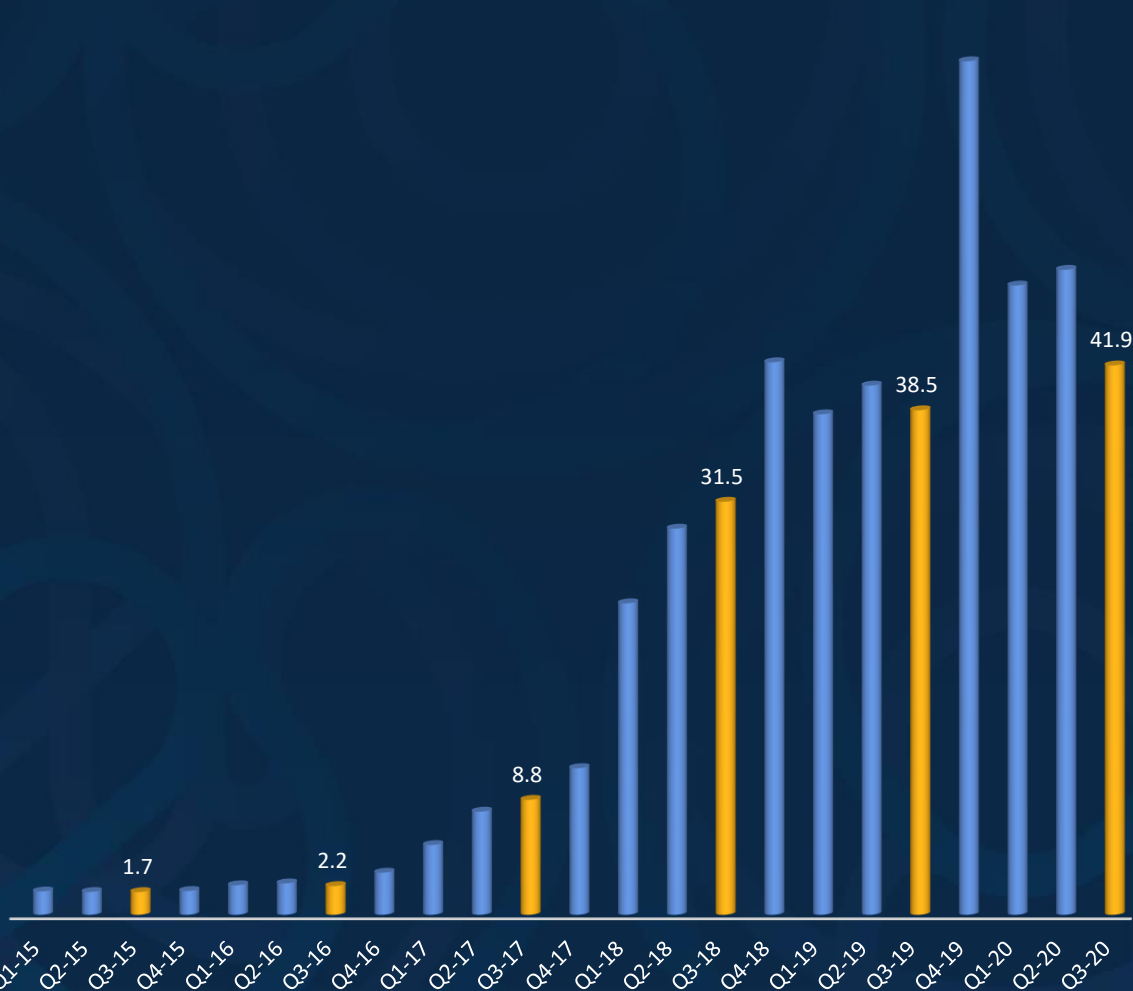


+125% REVENUE CAGR FY15 –FY19
+EUR 23.7M ADJ. EBITDA LTM Q3 2020

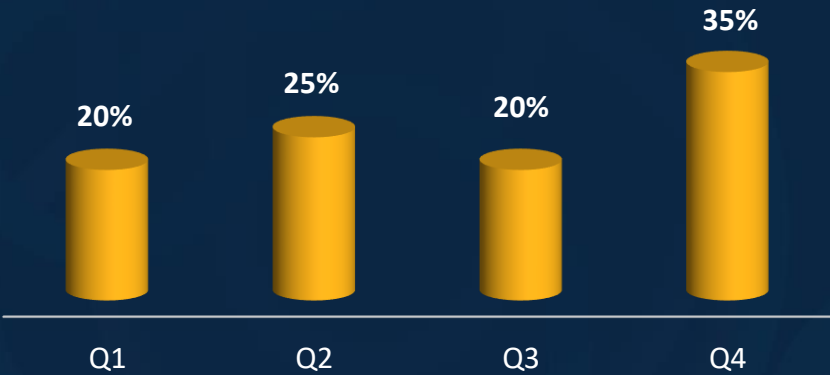
STELLAR & PROFITABLE FINANCIAL GROWTH



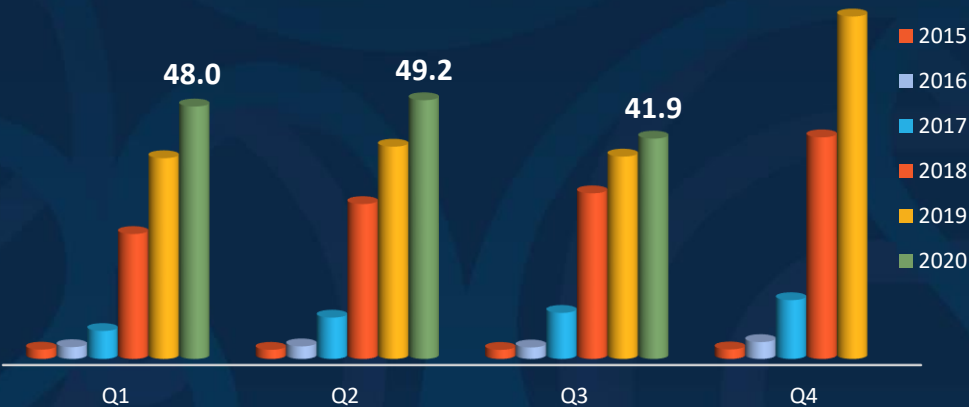
STELLAR & PROFITABLE FINANCIAL GROWTH Q-COMPARISON



Revenue per quarter 2015-2019 in mEUR



Average organic seasonality 2015-2019



Year-over-year revenue per quarter 2015-2019

BUSINESS HIGHLIGHTS



Prudent and disciplined approach results in both organic and acquisitive growth

EXISTING CONTENT



Continuously developing existing content, products and technologies in order to increase user and customer base...

- ✓ NEW TITLES
- ✓ NEW FEATURES
- ✓ INCREASED USER ACQUISITION

HABBO

MONOPOLY

Poker

voidu



NEW BUSINESS INITIATIVES



...whilst leveraging on its strong brand name and extensive user base in order to establish new, attractive partnerships...

- ✓ SUBSCRIPTION PORTAL FOR GAMES
- ✓ TELECOMMUNICATION ALLIANCES
- ✓ AUTOMATED BILLING FEATURE

adform



NEW MARKETS



...new market expansions are evaluated on an ongoing basis and are easily accessible owing to the Group's scalable model

- ✓ ASIAN MARKET ENTRY
- ✓ NEW E-COMMERCE DOMAINS



GAMING SEGMENT OFFERS HIGHLY DIVERSIFIED REVENUE SOURCES



Commentary

- Gaming segment includes Massively Multiplayer Online (MMO) games, casual and social online games¹ as well as videos, accessible through a wide range of devices including smartphones, tablets and web browsers
 - The Group’s +16,000 game titles attract in excess of 1.5bn content interactions² per month
- Historical growth has primarily been driven by acquisitions of gaming companies with an established track record of retaining a user base over time
- After initially focusing solely on the casual gaming segment, Azerion entered the MMO gaming segment through the acquisition of Sulake, a developer of the virtual online worlds Habbo and Hotel Hideaway
 - Through the acquisition, Azerion was able to reach a new used base, implying new, attractive revenue sources
 - MMO games typically have higher user loyalty and longer lifecycles than casual games, implying increased user stickiness and recurring revenues through in-game purchases and subsequent add-on purchases to games
- A portion of the Group’s content portfolio is developed inhouse where Azerion has a core focus on content with low costs to ensure a stable ROI
- Azerion has a compelling gaming portfolio comprising owned IPs and third-party IPs resulting on 400 million monthly gameplays and 87 million monthly active users
 - The Group owns some 95% of the total IPs in its gaming portfolio
- Gaming segment offers diversified revenue sources including user downloads, in-app purchases, subscriptions, users spending time on watching ads and third-party sales
- Through its well-developed algorithms, Azerion uses data to predict what kind of content users are interested in and is as such able to personalise its ads in order to maximum the conversion rate
 - Users are typically offered two choices when playing Azerion’s games; either to subscribe to or purchasing certain add-on services and avoid being exposed to ads or to play a free version which will occasionally show ads during the user time

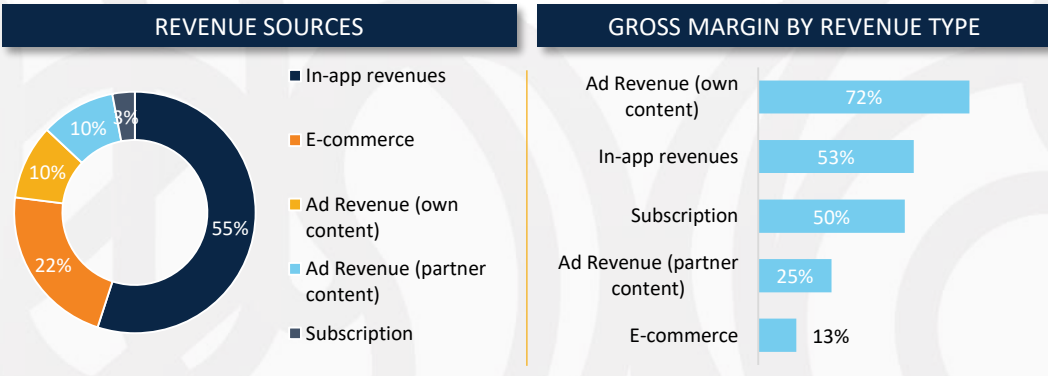
An extensive content portfolio...



...offering widespread user reach...



...and attractive diversification³

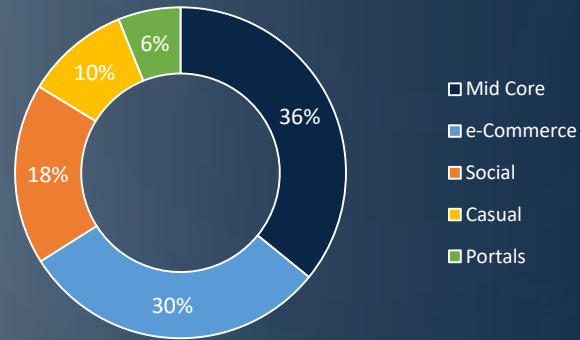


• Source: Company information, management accounts
 • Notes: 1) Casual games defined as infrequently played with low learning curve, 2) Defined as game plays plus video views, 3) YTD Q3'20

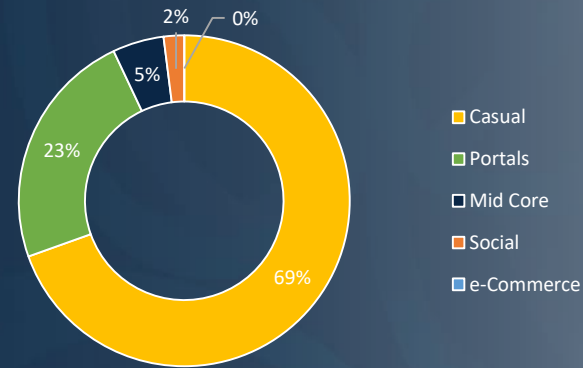
DIVERSIFIED REVENUE MODELS ENTAILS LOWER EARNINGS VOLATILITY



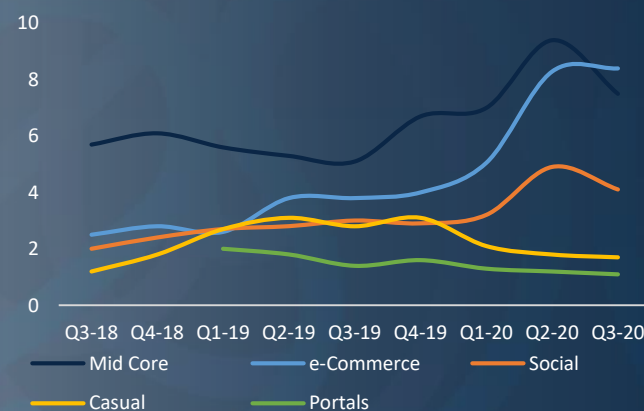
Revenue by category¹



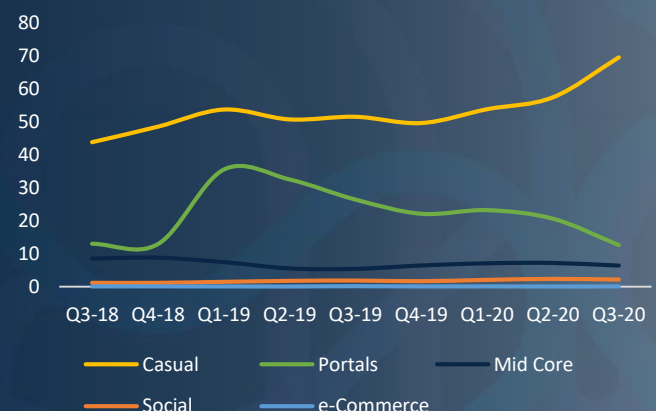
Monthly active users (MAU) per category¹



Revenue trend (EURm)



MAU trends (million)



Commentary

- Mid-core games (e.g. Governor of Poker), e-commerce (Voidu) and social games (e.g. Habbo, Hotel Hideaway) generate some 36% of total revenues
- Whilst having the largest user base, casual games only account for some 10% of total revenues
- Clear cross-selling potential from the Group's casual player base into higher economic categories going forward
- E-commerce users make up just some 0.1% of total MAU, whereas these users generate some 30% of consolidated revenues, driven by higher price points in the e-commerce offering (AAA-game titles)
- Continued focus on new game releases, in-app features, data-driven decisions and monetisation improvements set to drive revenue, MAU and APRDAU growth across titles in the near term
- Revenues from mid-core, e-commerce and social games increased considerably in Q1-Q2'20 following the outbreak of COVID-19 as people found themselves isolated at home to a larger extent

MONETIZATION TECH: AZERIONS IS WELL POSITIONED TO BENEFIT FROM THE DIGITAL TAKEOFF



Commentary

- Monetisation technology offering comprises state of the art solutions for both publishers and advertisers
 - Geo-marketing technology delivering efficient mobile and desktop media campaigns, generating point-of-sale traffic
 - Programmatic integrated ad marketplaces, which connect leading brands, trading desks and agencies to premium media and publishers
- Azerion provides an advertising platform tailored for premium and mid and long tail publishers, enabling the Group to monetise on video, display and native inventory across all digital media channels
 - The Group also assists publishers with their respective programmatic advertising strategies, planning and execution, effectively utilising its comprehensive experience within the sector
 - Transparency of advertisers' ad spend and performance allows publishers to calibrate their offering
- By leveraging on its hyper local targeting¹ or mobile rich media technology, Azerion has developed a comprehensive advertising technology offering
 - Typical customer looks for end-to-end solutions or to enhance its existing advertising strategy
 - The Group provides a seamless ad purchasing process by assisting advertisers to navigate in the fragmented and complex digital landscape
 - Allows advertisers to target its audience more accurately, maximising the conversion rate of each ad campaign
- Azerion uses machine learning to predict the best and most relevant ads for every unique user based on data points and information collected via the user's cookies and other digital traces
 - The result is a proven uplift in ad recall and purchase intent amongst user's exposed to the ad
 - Ads are seamlessly integrated within the Group's Gaming segment offering, driving higher engagement and view time amongst its users

• Source: Company information, management accounts

• Notes: 1) For further explanation of hyper local targeting, refer to slide 25, 2) Figures as of YTD Q3'20

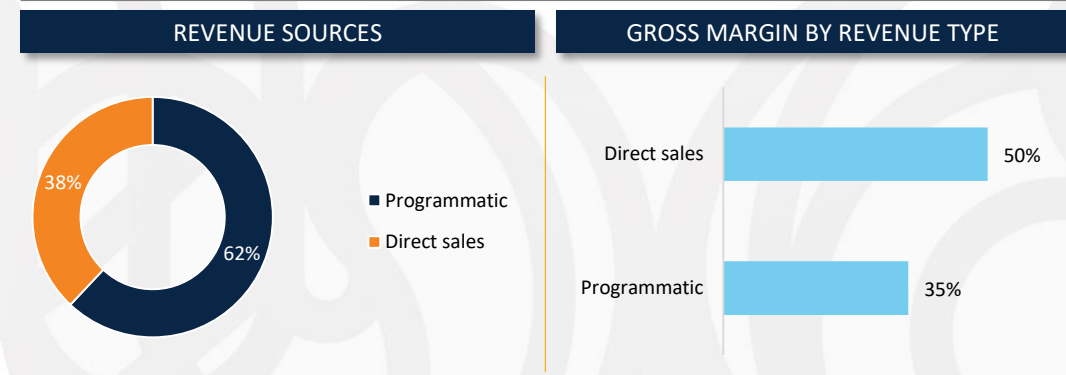
An blue-chip monetisation technology portfolio...



...offering widespread user reach...



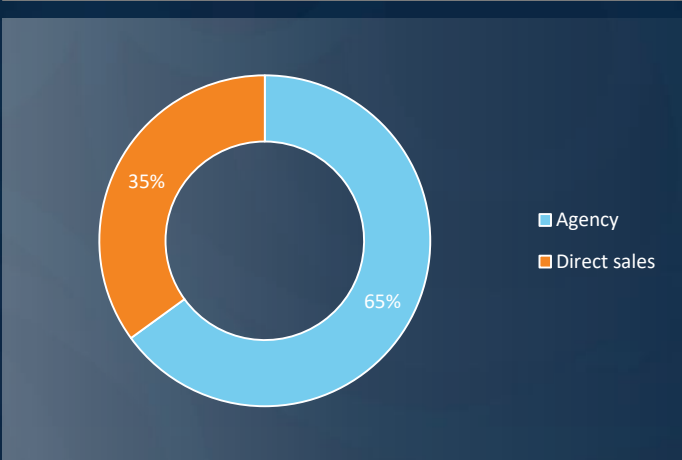
...and attractive diversification²



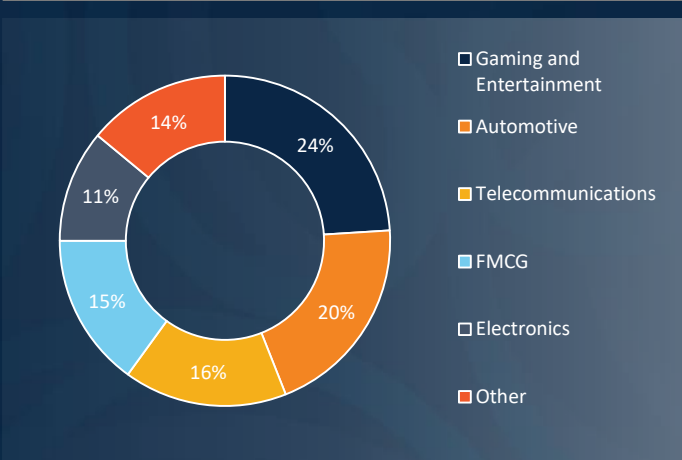
MONETIZATION TECHNOLOGY KPIs



Revenue by category¹



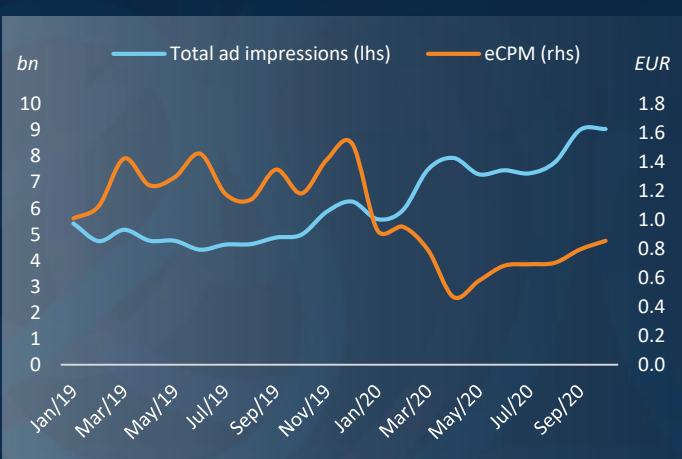
Advertiser by industry¹



Commentary

- Azerion has a well-diversified portfolio of clients in its monetisation technology segment
- Monetisation technology segment comprises some 100 media agencies, 1,500 publishers and over 30,000 advertisers
- 35% of revenues generated through direct relations with advertisers whereas 65% of revenues stem from media agencies managing advertising budgets on advertisers' behalf
- Clients spread across verticals limits Azerion's dependence on individual end-markets
- Gaming and Entertainment constitute Azerion's main end-market, followed by Automotive and Telecommunications
- Ad impressions have increased considerably since Jan'19, reaching 9bn in October 2020
- Cost per mille has decreased significantly as a result of broad industry trends imposed by the COVID-19 pandemic

Ad impression vs effective cost per Mille



Key facts



AZERION'S ECOSYSTEM CENTRES AROUND SEAMLESS INTEGRATION OF CONTENT, TECHNOLOGY AND DATA



Games and monetisation technology offers ample synergies



KEY BENEFITS



USER ACQUISITION

The extensiveness of the ecosystem ensures scale advantages in ad-buying, retains additional margin from ad-buying in-house and reduces the overhead need in the in-house advertising team



ADVERTISING REVENUES

Large volume of game users attract a large number of advertisers, ensuring an optimised fill rate of ad spaces and subsequently increased advertising revenues



COLLABORATIONS

Azerion's unique ecosystem attracts interests from third parties looking to leverage on the user reach in return for offering its content on the Group's platforms, as evidenced in the Monopoly Poker case



SOPHISTICATED TECHNOLOGIES

Sophisticated AdTech solutions matches publishers with advertisers, using real-time auction processes, which generates 9bn ad impressions per month



USE OF IN-HOUSE PLATFORMS

Most of the advertising budgets from external advertisers are put to work through Azerion's proprietary ad technology platforms, allowing for control and verification of ad placements for the Group's clients



RETAINING REVENUES

The majority of ads is executed through the technology within the ecosystem with only a minor share of ad inventory being purchased externally, ensuring revenues are retained within the ecosystem



AZERION FINANCIALS



Q3 FINANCIAL HIGHLIGHTS



Revenue growth +8.8% (or EUR 3.5m)



Adjusted EBITDA @ EUR 5.8m improved by EUR 4.8m versus 2019



Continuous improvement despite seasonality and Corona

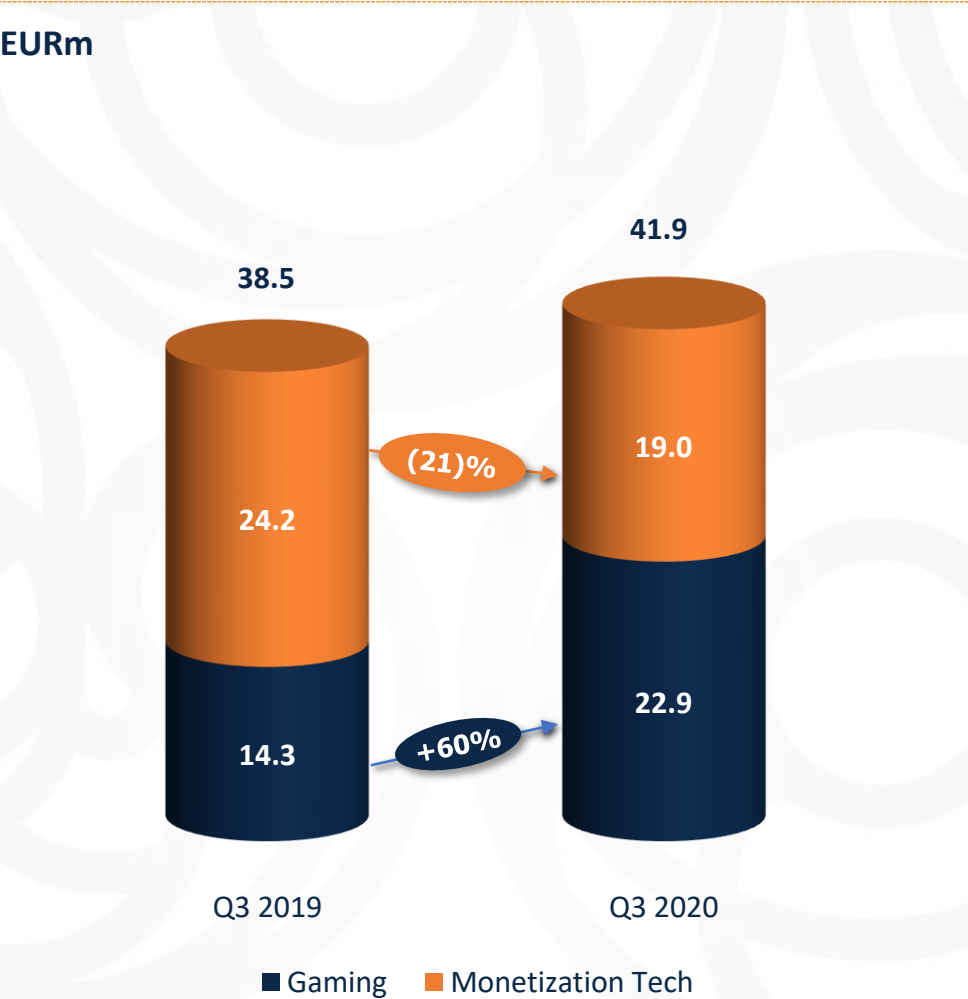


Successful roll out of 'Strengthen the Ecosystem' program

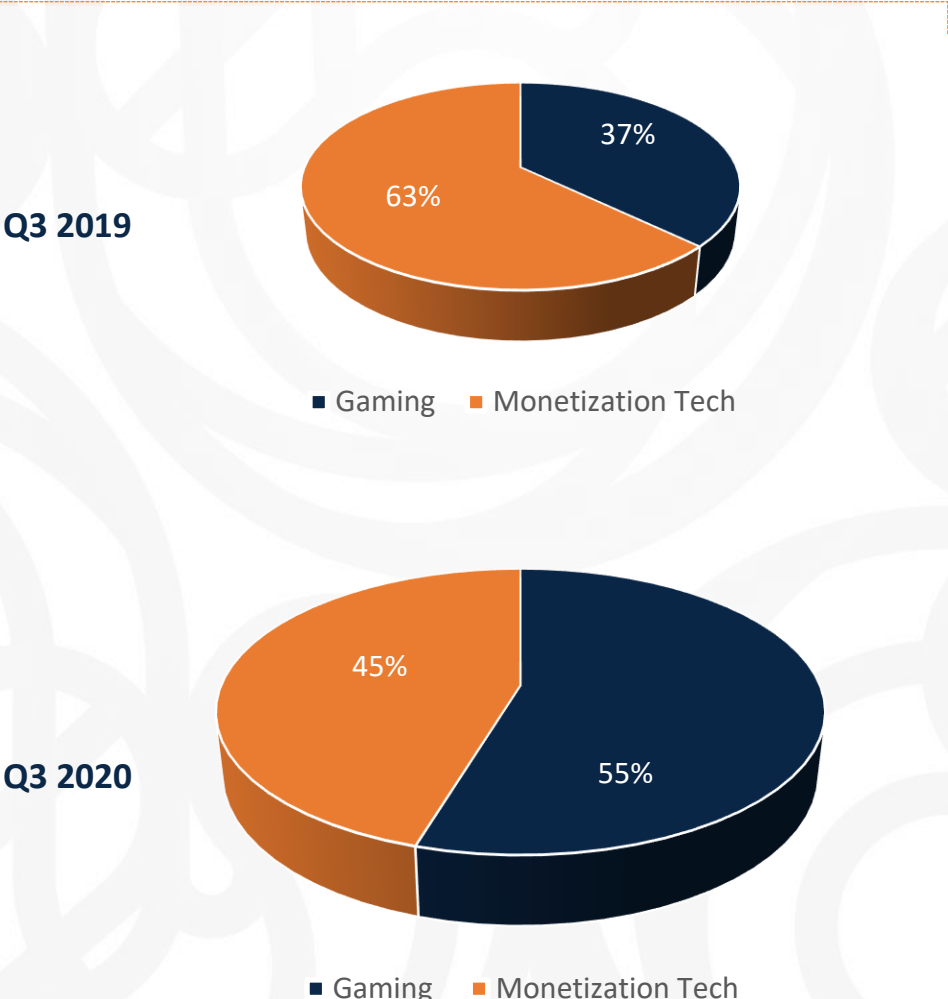
Q3 NET REVENUE



Q3 Net revenue development



Q3 Net revenue split

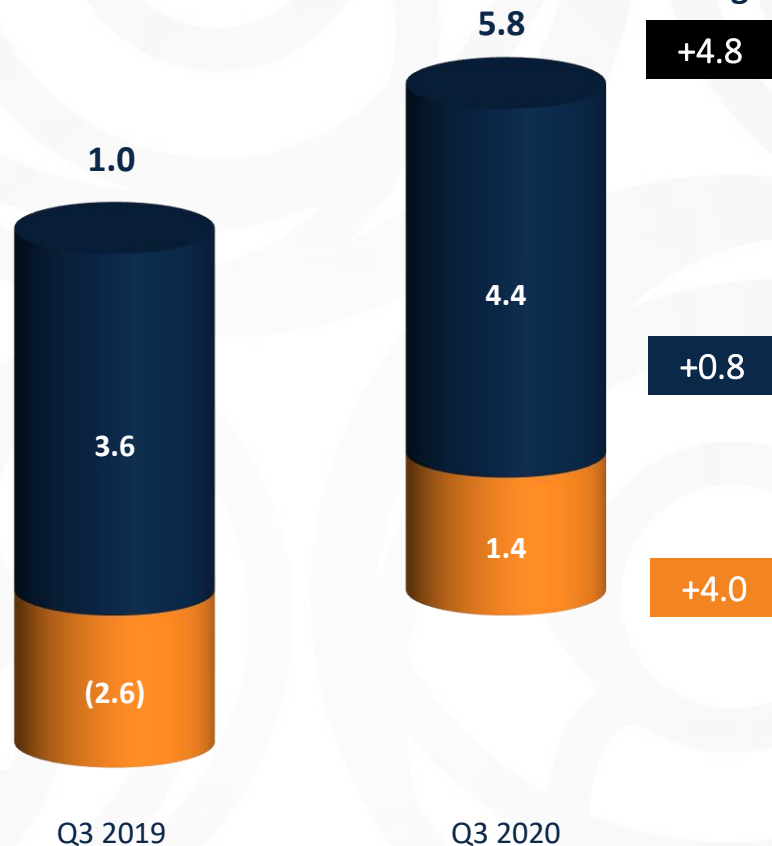


Q3 ADJUSTED EBITDA AND P&L RATIOS



Q3 Adjusted EBITDA development

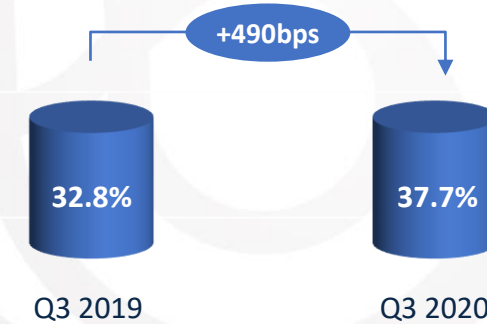
EURm



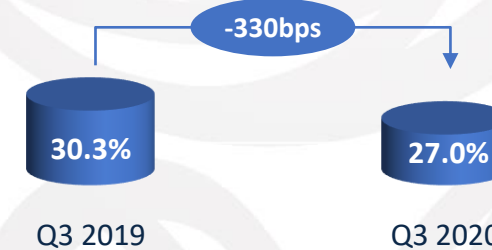
■ Gaming ■ Monetization Tech

Q3 P&L ratio development

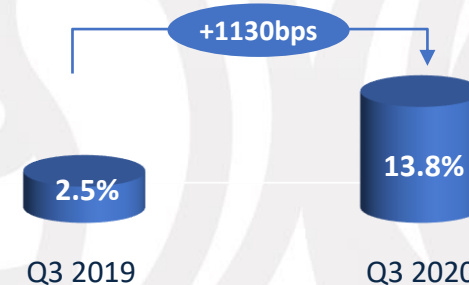
Gross margin %



Opex/ Revenue %



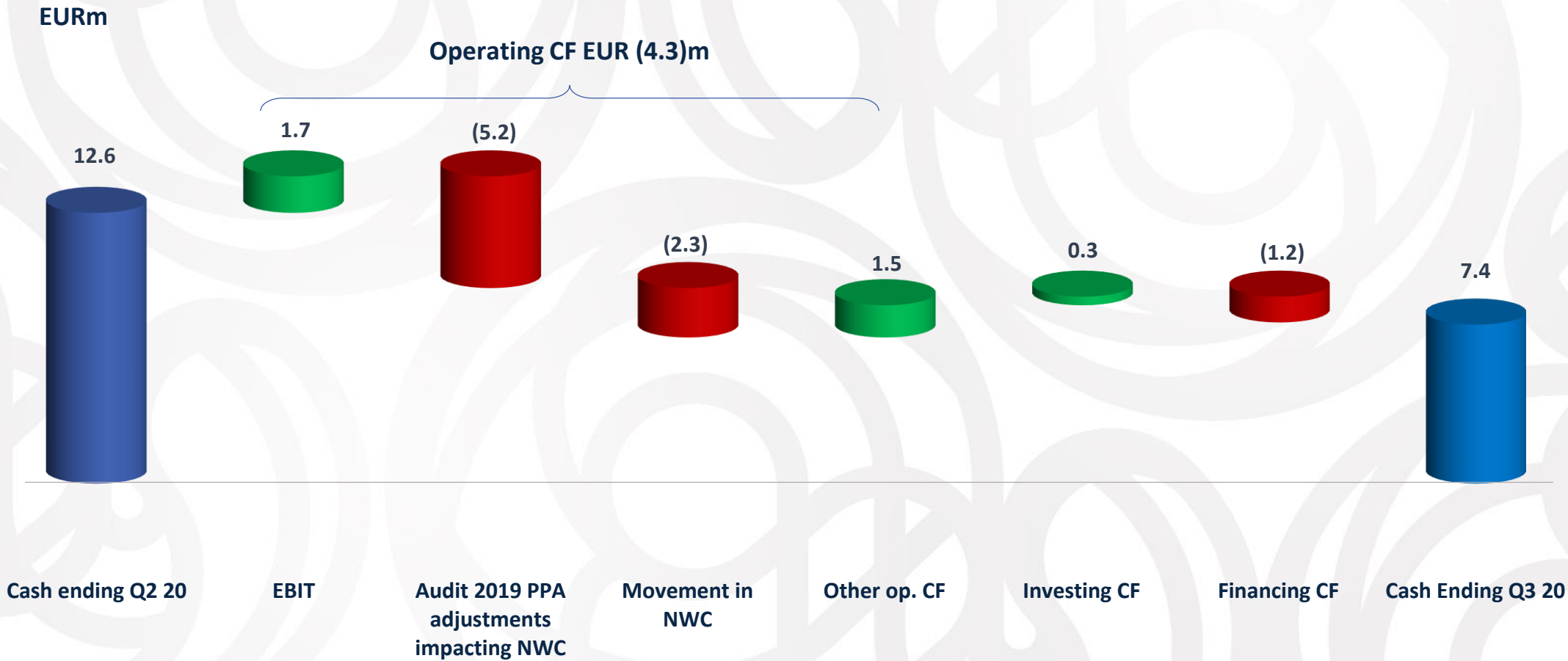
Adj. EBITDA margin %



Q3 CASH FLOW



Q3 2020 cash flow development

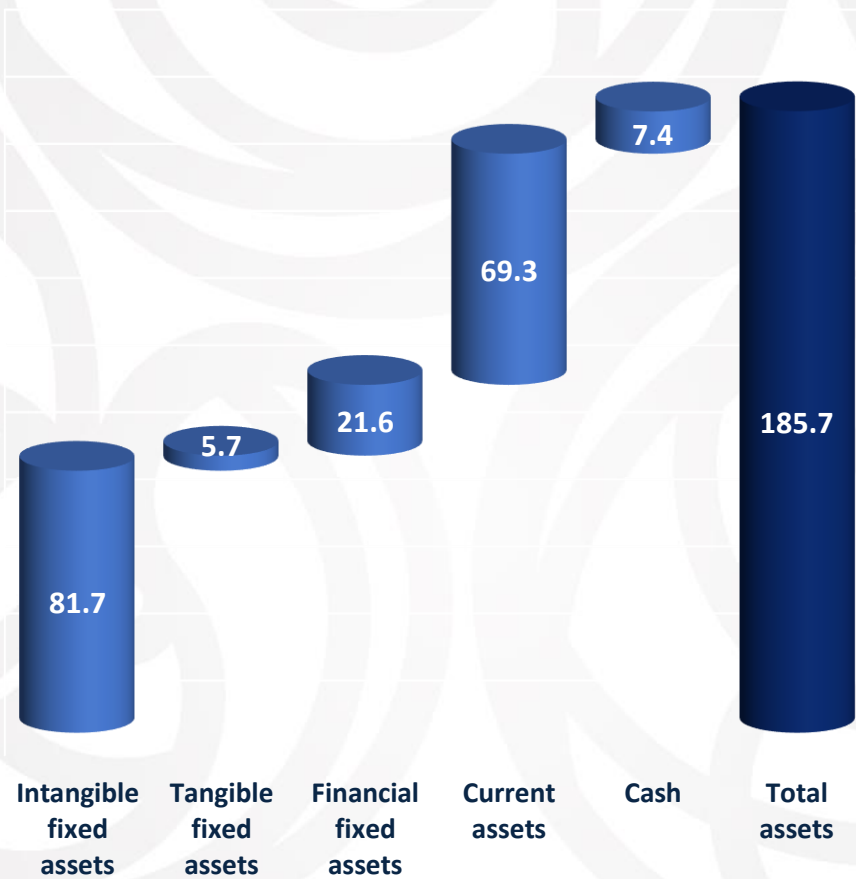


Q3 BALANCE SHEET

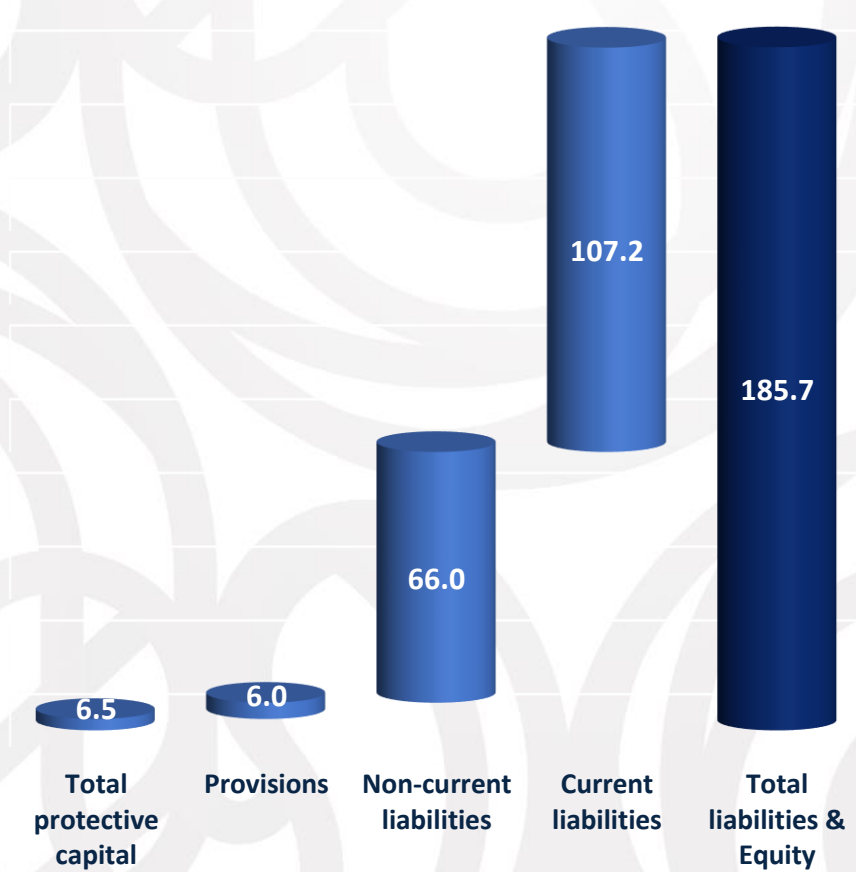


Q3 Balance sheet

Assets (EURm)



Equity & Liabilities (EURm)





OUTLOOK FY-2020



OUTLOOK FOR REMAINDER OF 2020



Covid-19

Less impact on Revenue, EBITDA and Organization

Seasonality

Q4 generally highest activity quarter

Gaming

Expect high volumes and engagement

Monetization

Fully recovered, better than normal seasonality

FY 2020

Adj. EBITDA: EUR 25.5m



azerion

THANK YOU