

# Aristocrat Leisure Limited

Acquisition of Plarium Global Limited – Supporting information

*August 2017*



ARISTOCRAT

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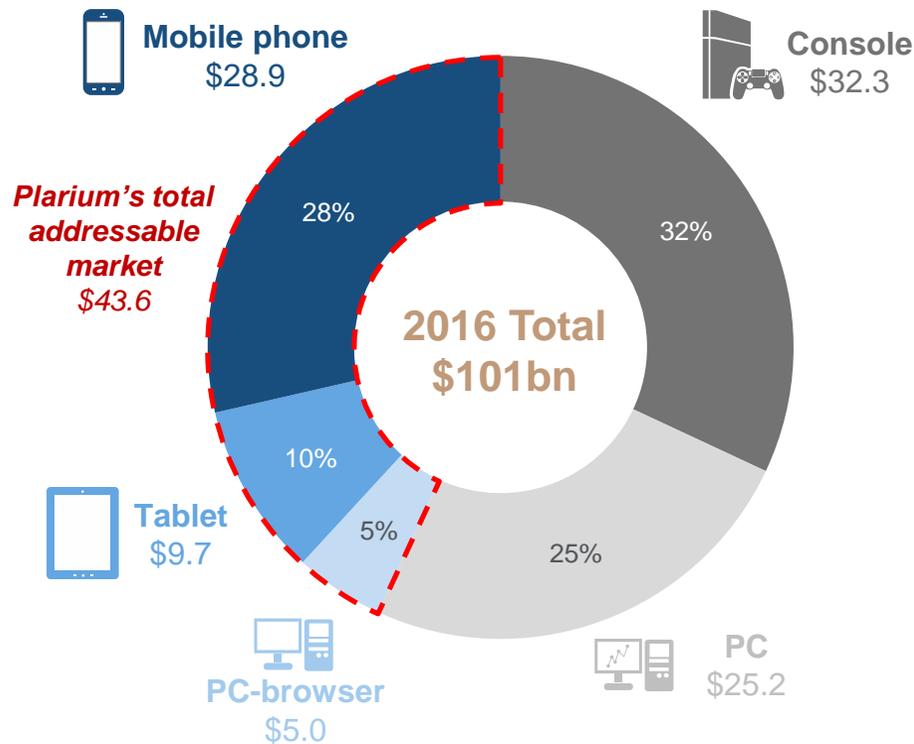
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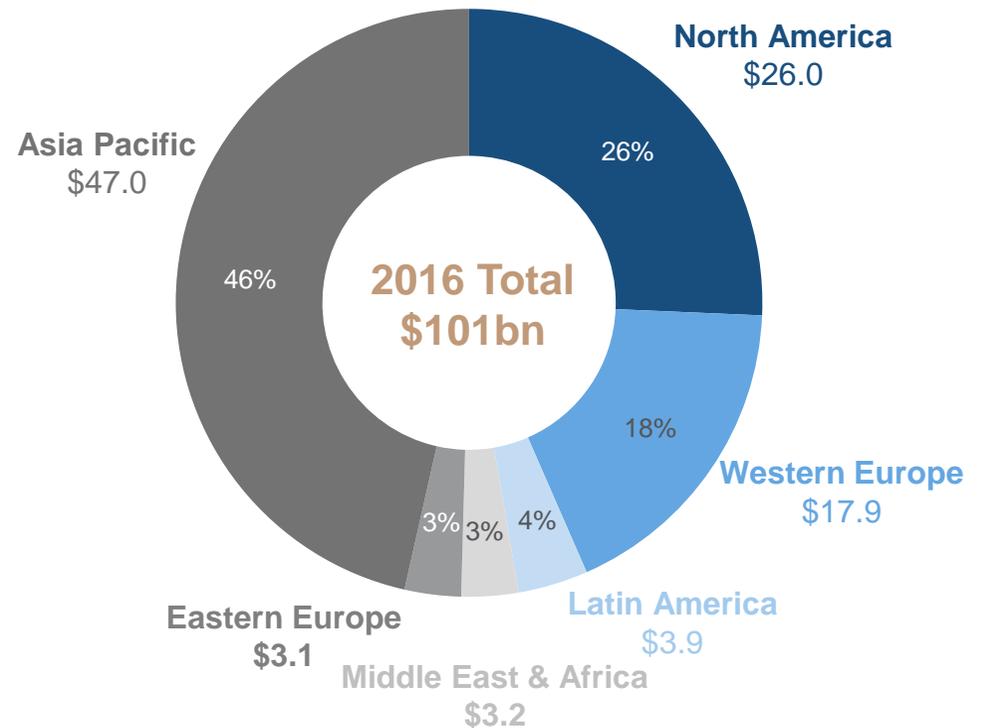
# 1 Global games market – size of market

Product Madness and Plarium focus on the mobile phone, tablet and PC-browser markets of the broader ~\$101bn global games market. The key global regions are North America, Western Europe and Asia Pacific.

2016 global games market – by category  
(US\$bn)



2016 global games market – by region  
(US\$bn)



# 1 Global games market – evolution in gaming

The evolution of the games market has seen mobile become the favoured platform.

## Movement in popularity over time

Platform:



### Console gaming

#### Characteristics

- Very high budget
- Very high quality experience
- High sale price
- Multi-platform delivery (Xbox, PlayStation, PC)
- High franchise value

#### Moving forward

- Traditional game publishers, such as EA and Ubisoft, now earn the majority of their money digitally, signaling the end of the boxed game



### PC: 1<sup>st</sup> generation of social games

#### Characteristics

- Relatively low budget
- Relatively simple games
- Free/low “entry” price
- Social web/mobile hybrids
- “One-off”

#### Change to a free-to-play model

- Game companies are starting to rely almost entirely on direct consumer spending, as opposed to the advertising-based model



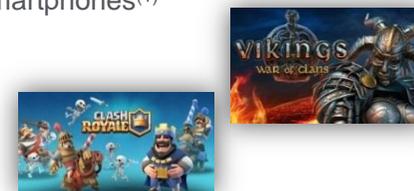
### Mobile: modern generation

#### Characteristics

- AAA quality complex games
- Spans multiple segments
- Free-to-Play (“FTP”)
- Mobile only
- Ongoing game development

#### Growth segment

- Mobile gaming (smartphone and tablet) was the largest segment in 2016, accounting for 38% of the total global market<sup>(1)</sup>
- The segment also has the most players with 2.0 billion in 2016, the majority of whom are gaming on smartphones<sup>(1)</sup>



original focus when founded in 2009



current focus

Source: Newzoo.

Note:

(1) As per Newzoo analysis.

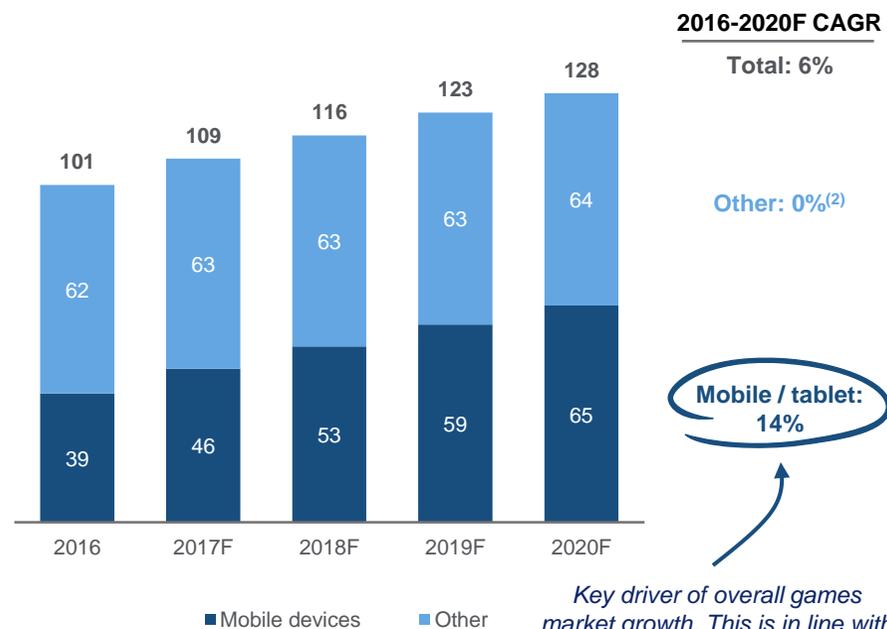
# 1 Global games market – growth outlook

Growth in the global games market is expected to be driven largely by Mobile games.

## Mobile games market – outlook

- Mobile games revenue growth is expected to drive growth of the total games market (14% CAGR from 2016-2020), claiming a majority of the total games market by 2020
- Despite early scepticism around the sustainability of mobile games, top mobile games are on par with leading PC and console franchises in terms of brand strength
- Growth underpinned by global industry tailwinds:
  - Increasing mobile smartphone adoption
  - Continued technological innovation, in particular smart phone innovation
  - Increasing broadband speeds
  - Long standing player loyalty towards video gaming content

2016-2020 global games market revenue<sup>(1)</sup>  
(US\$bn)



Key driver of overall games market growth. This is in line with forecast Social Casino mobile gaming growth, with an expected CAGR of 14% from 2016-2020F<sup>(3)</sup>

Source: Newzoo, Eilers & Krejcik.

Notes:

(1) Newzoo forecasts.

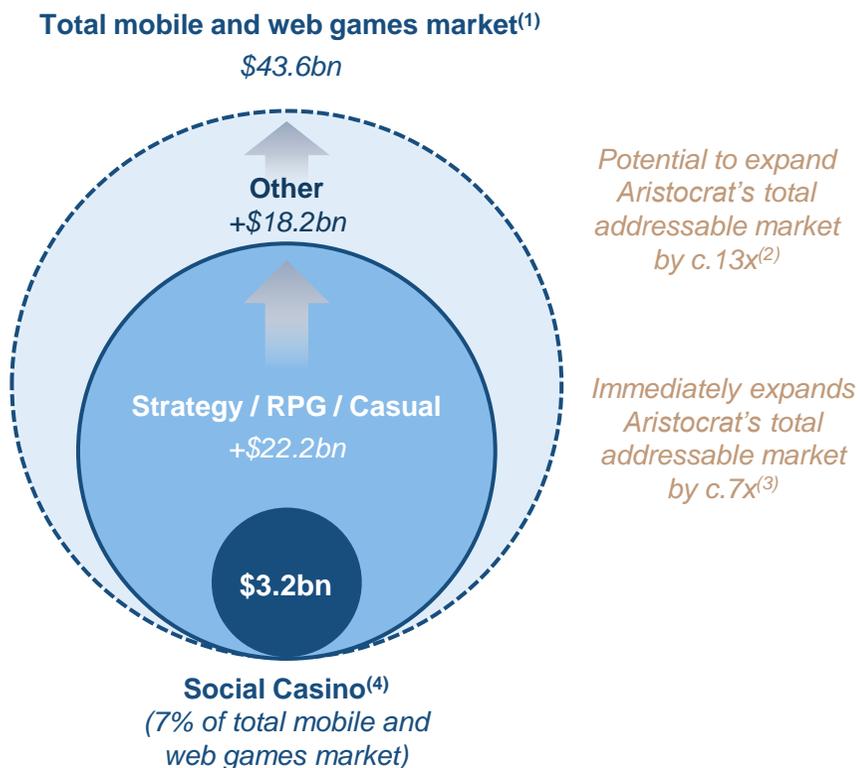
(2) Other includes PC and console devices.

(3) Eilers & Krejcik.

## 2 Mobile and web market – addressable segments

The acquisition of Plarium expands Aristocrat's addressable market into logical adjacent segments within the mobile gaming market.

### 2016 mobile and web games market (US\$bn)



### Pro forma target segments

<b>Product Madness</b>	<b>Social Casino</b>	<ul style="list-style-type: none"> <li>Current offering via Product Madness</li> </ul>
<b>Plarium's current target segments</b>	<b>Strategy</b>	<ul style="list-style-type: none"> <li>Plarium's success to date has been within the Strategy segment</li> <li>Plarium has multiple Strategy games in its launch pipeline</li> </ul>
	<b>RPG</b>	<ul style="list-style-type: none"> <li>The RPG segment is attractive given its size and relative immaturity compared to other segments</li> <li>Plarium has multiple RPG games in its launch pipeline</li> </ul>
	<b>Casual</b>	<ul style="list-style-type: none"> <li>Top games within the Casual segment have experienced sustained success with respect to monetisation</li> <li>Plarium has recently launched a new Casual game and has multiple Casual games in its launch pipeline</li> </ul>
<b>Growth segments</b>	<b>Other</b>	<ul style="list-style-type: none"> <li>Plarium provides the platform from which to expand into further adjacent segments (e.g. Action)</li> </ul>

Source: Newzoo.

Notes:

(1) Includes the mobile phone, tablet and PC-Browser game market as classified by Newzoo.

(2) Calculated as the potential increase in total addressable market from the Social Casino segment to the total mobile and web games market.

(3) Calculated as the potential increase in total addressable market from the Social Casino segment to include the Strategy, RPG and Casual markets.

(4) Social Casino segment defined as the Casino and Cards segment as classified by Newzoo. Based on Eilers & Krejcik, the estimated size of the Social Casino market was US\$3.8bn as at 2016.

## 2 Mobile and web market – addressable segments (cont.)

The mobile and web games market is split into 7 broad categories. Following its acquisition of Plarium, Aristocrat is currently targeting 4 of these segments, which together represent 58% of the mobile and web games market.

### Mobile and web market by segment<sup>(1)</sup>

	Casino & Card	Strategy / Simulation	RPG	Casual	Action / Adventure	Shooter / Fighting	Other
Description	Includes games of chance as found in land-based casinos as well as turn-based card battle games	Games involve construction of a “base”, with strategic combat (often with other players) or completion of tasks	Games usually involve development of a single character, with the user assuming the role of the character within the game’s world	A game that is characterised by easy gameplay where players can play infrequently or on a spontaneous basis	Games which include physical challenges (Action) and/or exploration / puzzle-solving challenges (Adventure)	A subset of Action, whereby the game makes use of first-person shooter / fighting gameplay	Includes sports, driving, games based on board games, word-puzzle games and other non-classified games
Size <sup>(1)</sup>	US\$3.2bn (7%)	US\$22.2bn (51%)			US\$12.2bn (28%)		US\$6.0bn (14%)
Top competitor games	  	 	 			 	 
Aristocrat / Plarium games	 	  	 <i>Pipeline games</i>	 	<i>Longer term growth opportunity for Aristocrat / Plarium</i>		

Source: Newzoo.

Note:

(1) As classified by Newzoo.

## 2 Mobile and web market – KPIs of addressable segments

According to SurveyMonkey Intelligence analysis, RPG and Strategy games experience superior monetisation per user (analysis based on US data for the month of July 2016).

US mobile games statistics by segment (for the month of July 2016)

	Monthly revenue (US\$m)	DAU (millions)	ARPPDAU (US\$)
RPG	162	8	0.66
Strategy	194	13	0.50
Action & Adventure	212	35	0.19
Casino & Card	156	27	0.18
Casual & Puzzle	158	33	0.16
Simulation	72	17	0.14
Other	181	68	0.09

*Product Madness has ARPPDAU levels which are significantly in excess of the industry average, with 1H17 ARPPDAU of US\$0.49*

**Legend:** ■ Plarium current focus ■ Product Madness focus ■ Non-current focus

# 3 Sustainability of social gaming

The top mobile game publishers have moved towards a multi-game strategy in order to achieve sustained revenue growth.

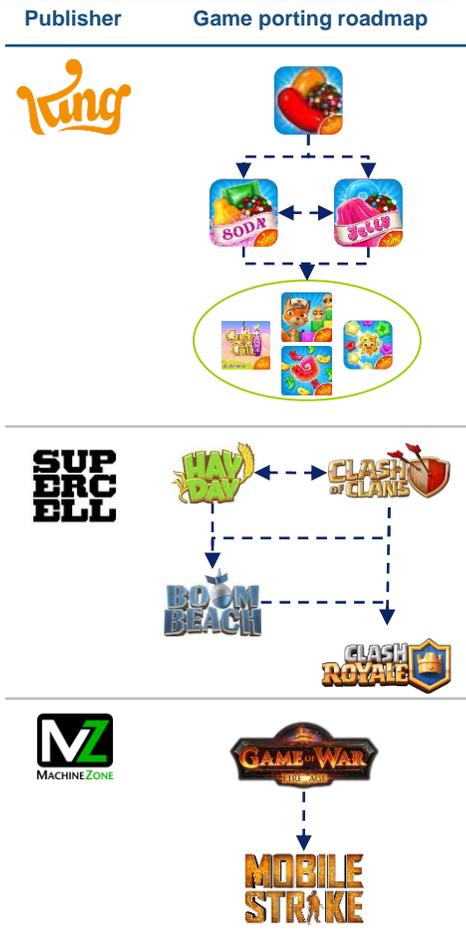
## “Game-as-a-service” model

- Continued investment keeps the game relevant and interesting for the core “invested” players

### Life cycle of top global grossing games

Rank	Game	Current top 10 grossing revenue games <sup>(2)</sup>		
		US	Japan	Germany
1.	Puzzle & Dragons		✓	
2.	Clash of Clans	✓		✓
3.	Candy Crush Saga	✓		✓
4.	Game of War - Fire Age	✓		✓
5.	Monster Strike		✓	
6.	Boom Beach			
7.	Candy Crush Soda Saga	✓		✓
8.	Clash of Kings			✓
9.	Rune Story		✓	
10.	Fantasy Westward Journey			

## Game engine “re-skins”



## Game Portfolios



Source: AppAnnie, SurveyMonkey Intelligence, broker research.

Notes:

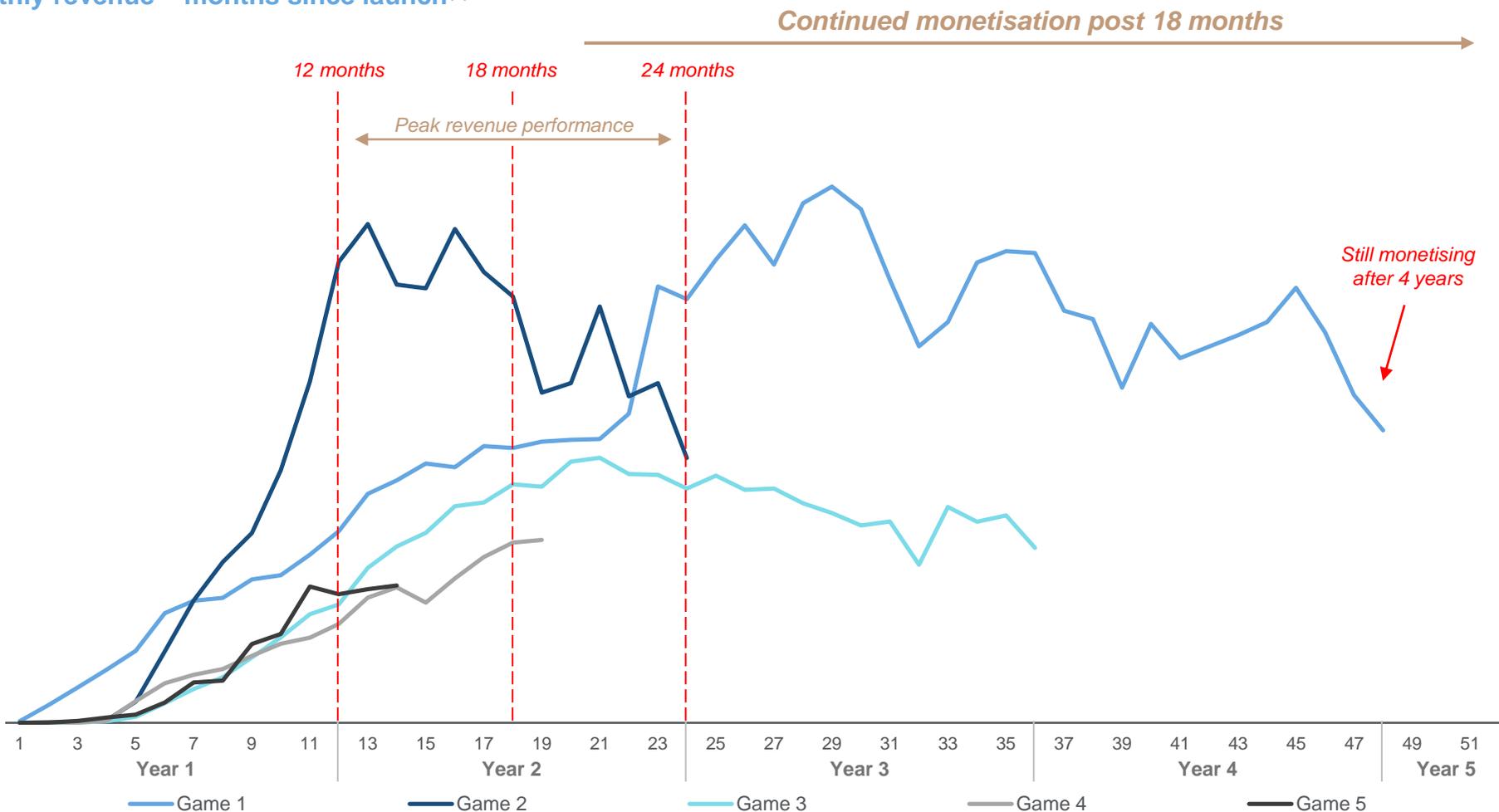
(1) Includes iOS and GooglePlay.

(2) Has ranked in the daily top 10 grossing games during August 2017. As per App Annie on iOS. Only includes revenue from in-app purchases.

### 3 Sustainability of social gaming – top Strategy games

Four out of five of the current top Strategy games by revenue have monetised beyond 18 months, with the fifth launched only 14 months ago.

Monthly revenue – months since launch<sup>(1)</sup>

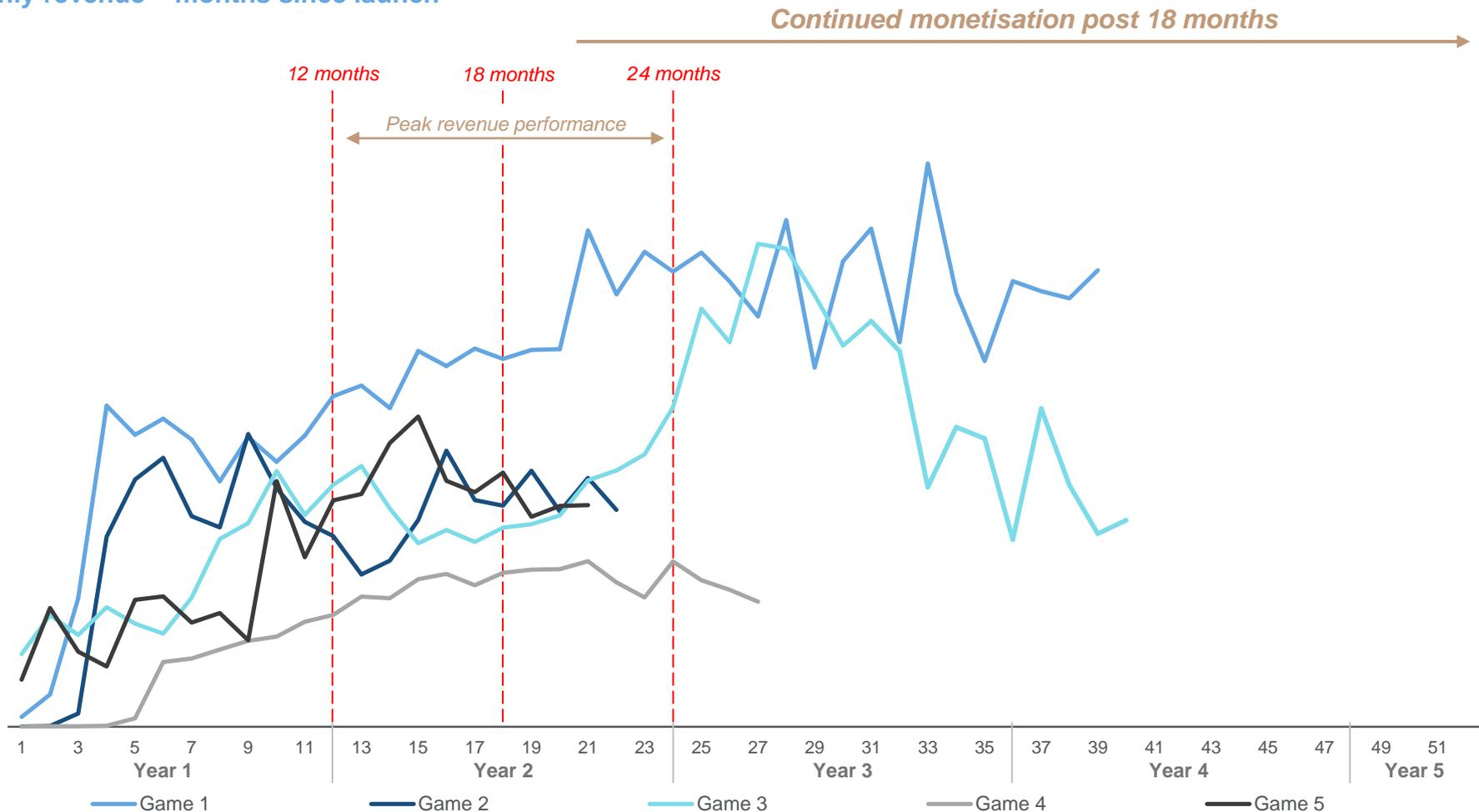


Source: App Annie.  
 (1) Only includes revenue from in-app purchases.

### 3 Sustainability of social gaming – top RPG games

Each of the top ranked RPG games by revenue have experienced sustained monetisation beyond 18 months, with 2 still monetising strongly after 3+ years.

#### Monthly revenue – months since launch

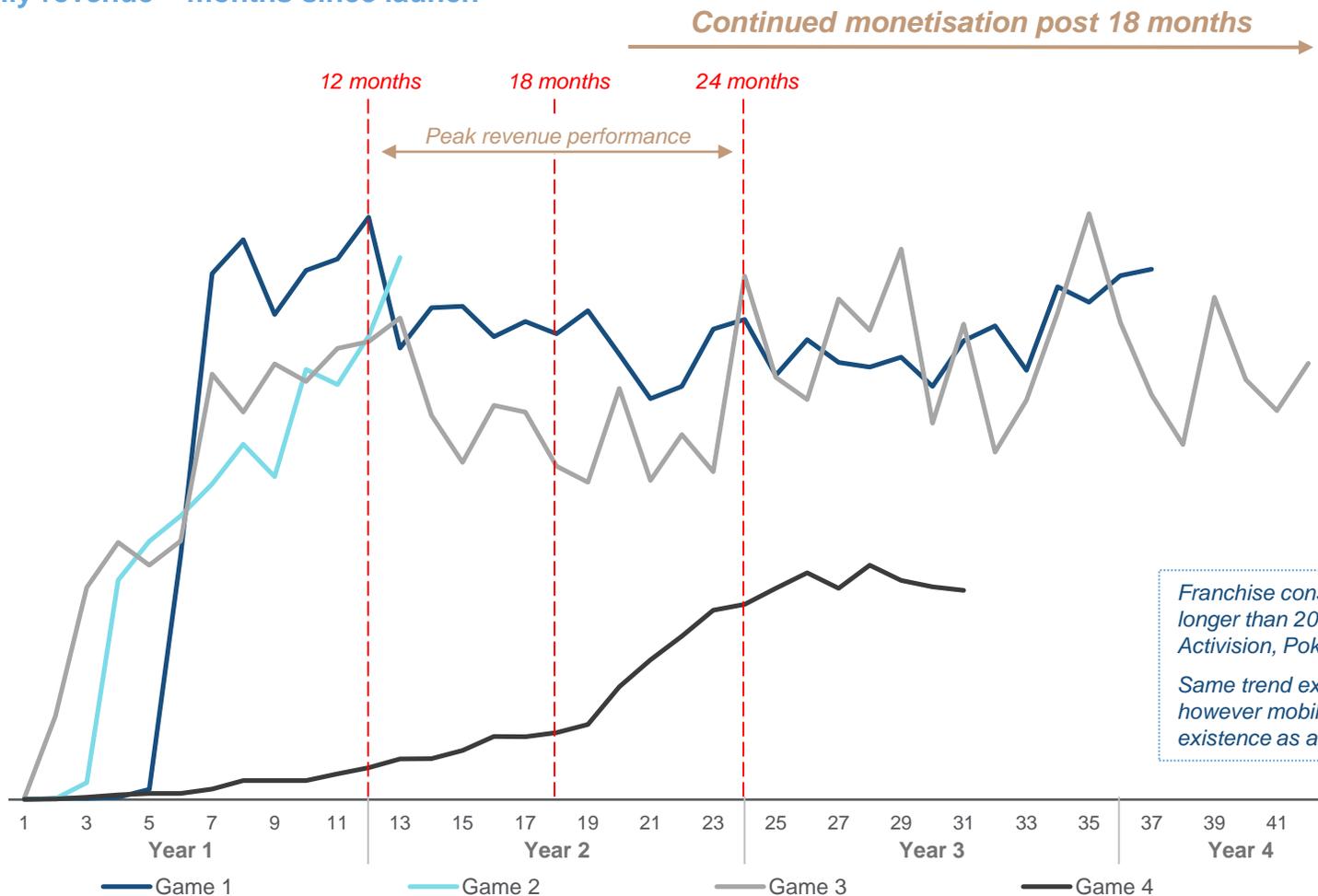


Source: App Annie.  
 (1) Only includes revenue from in-app purchases.

### 3 Sustainability of social gaming – top Casual games

The top performing Casual games have experienced sustained and stable monetisation for over 3 years.

#### Monthly revenue – months since launch



The following games are not depicted on the chart:

- **Candy Crush Saga** (published by King) has experienced sustained monetisation for close to 5 years
- **Angry Birds** (published by Rovio) has monetised for 7 years

Franchise console titles have monetised for longer than 20 years (e.g. Warcraft by Activision, Pokemon by Nintendo)

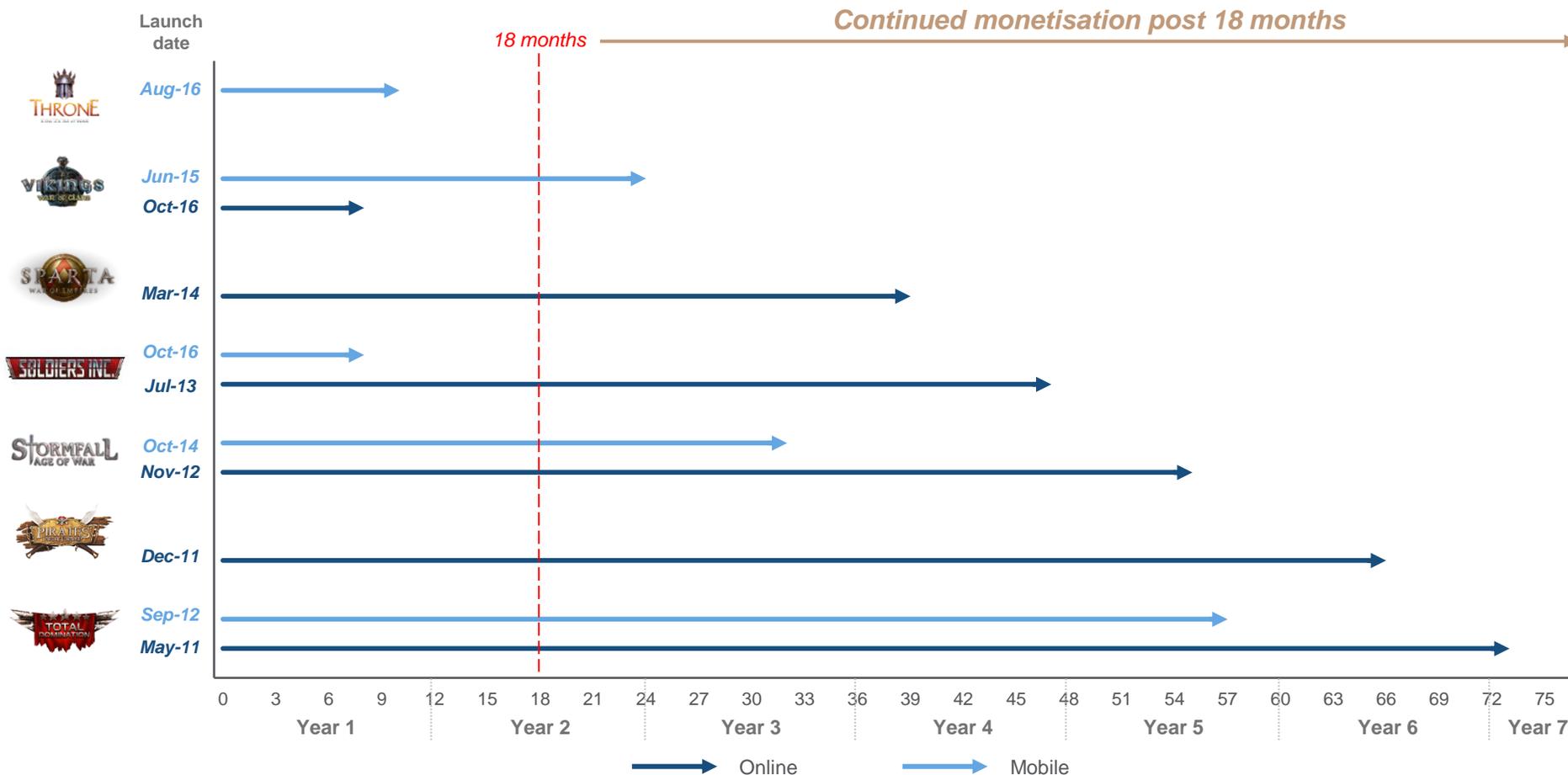
Same trend expected in mobile gaming, however mobile gaming has only been in existence as a sector for around 8 years

Source: App Annie.  
 (1) Only includes revenue from in-app purchases.

### 3 Sustainability of social gaming – Plarium

Each of Plarium's key games are still monetising, with most having monetised for over 18 months.

#### Monetisation – months since launch<sup>(1)</sup>



Source: Investor Presentation and App Annie.

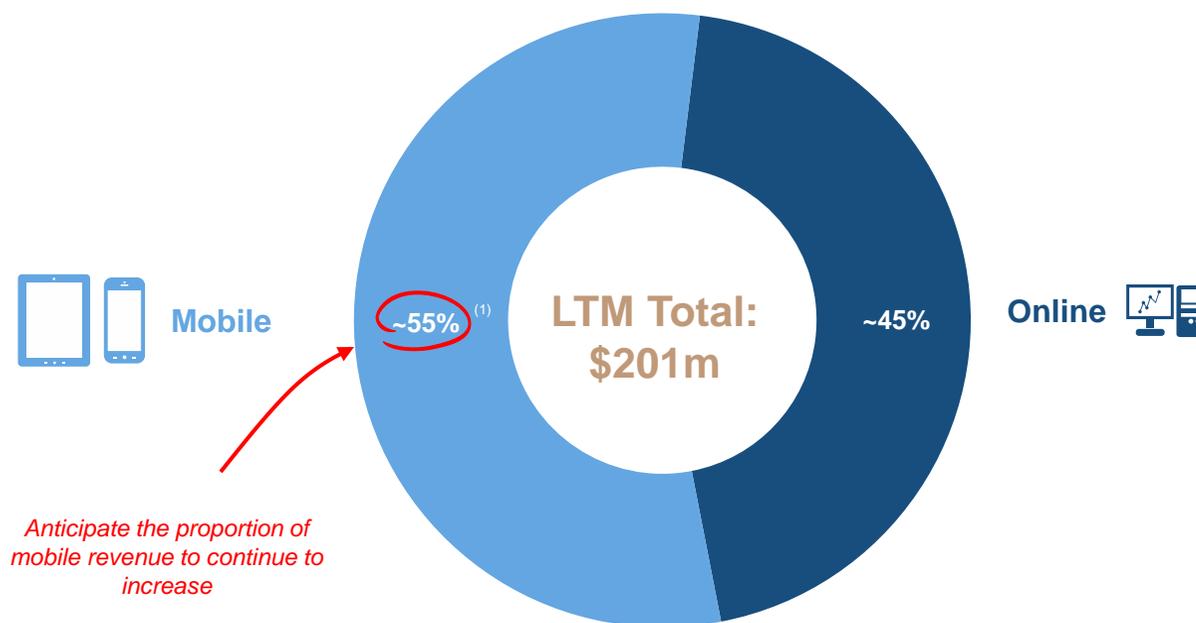
Note:

(1) Includes up to July 2017, being the latest full month.

## 4 Plarium – net revenue by platform

With its shift in focus towards mobile, Plarium has seen significant growth in mobile net revenue. For the twelve months to Mar-17, mobile net revenue exceeded online net revenue.

LTM net revenue by platform (12 months to Mar-17)  
(US\$m)



Source: Investor Presentation and App Annie.

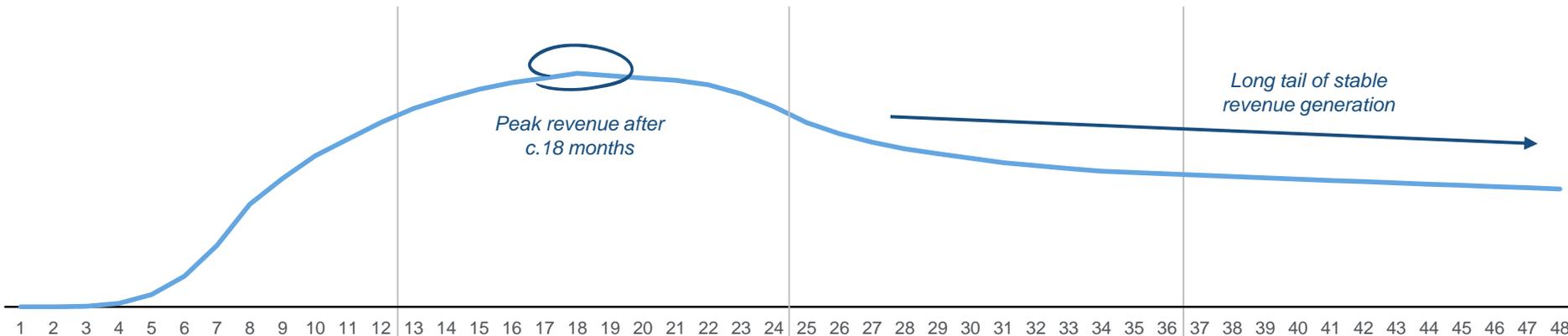
Note:

(1) Calculated as US\$114m / US\$201m.

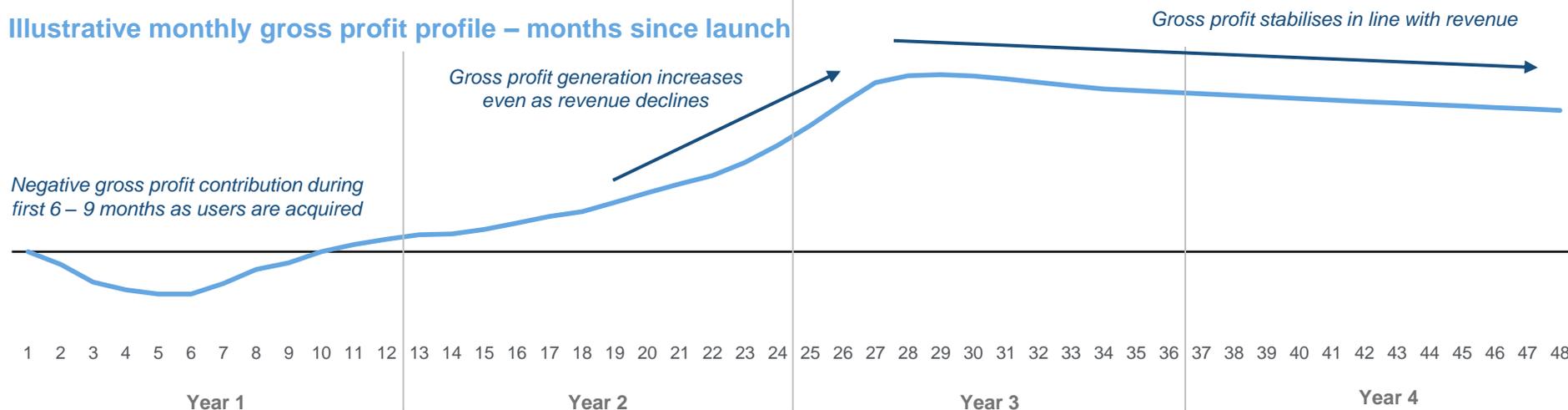
## 4 Plarium – illustrative monetisation cycle of games

Even as monthly revenue for mature games declines, the game continues to contribute more significantly to gross profit as user acquisition spend is targeted towards new games and current users continue to be monetised.

Illustrative monthly net revenue profile – months since launch



Illustrative monthly gross profit profile – months since launch



## 4 Plarium – revenue contribution from Vikings: War of Clans

App Annie data indicates that Vikings contributes c.69% of Plarium's LTM mobile revenue as at Mar-17 (i.e. US\$79m / US\$114m). However, taking online revenue into account and looking at gross profit, the contribution is less than 39% of total LTM revenue.

### Plarium's total revenue breakdown by platform

	US\$m	Source
Mobile	114	App Annie (LTM at Mar-17)
Online	87	Implied
<b>LTM revenue</b>	<b>201</b>	<b>Investor presentation (LTM at Mar-17)</b>

### Vikings revenue by platform

	US\$m	Source
Mobile	79	App Annie
Online	NM	Assume this is immaterial given mobile-first focus
<b>LTM revenue</b>	<b>79</b>	<b>Assumes all Vikings revenue from mobile</b>

- **Key conclusion: Assuming online Vikings revenue is negligible, Vikings mobile contributed c.39% of LTM Mar-17 revenue (i.e. US\$79m / US\$201m)**
- **Vikings contributes a lower proportion (than 39%) of Plarium's gross profit as the game has a relatively higher UA spend than older games given spend is targeted to new games**