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|-------------|---|
| DEFENDANT A | United States District Court Northern District of California |
| | Case No. 4:20-cv-05640-YGR |
| | Case Title <i>Epic Games, Inc. v. Apple, Inc.</i> |
| | Exhibit No. DX-3467 |
| | Date Entered _____ |
| | Susan Y. Soong, Clerk |
| | By: _____, Deputy Clerk |

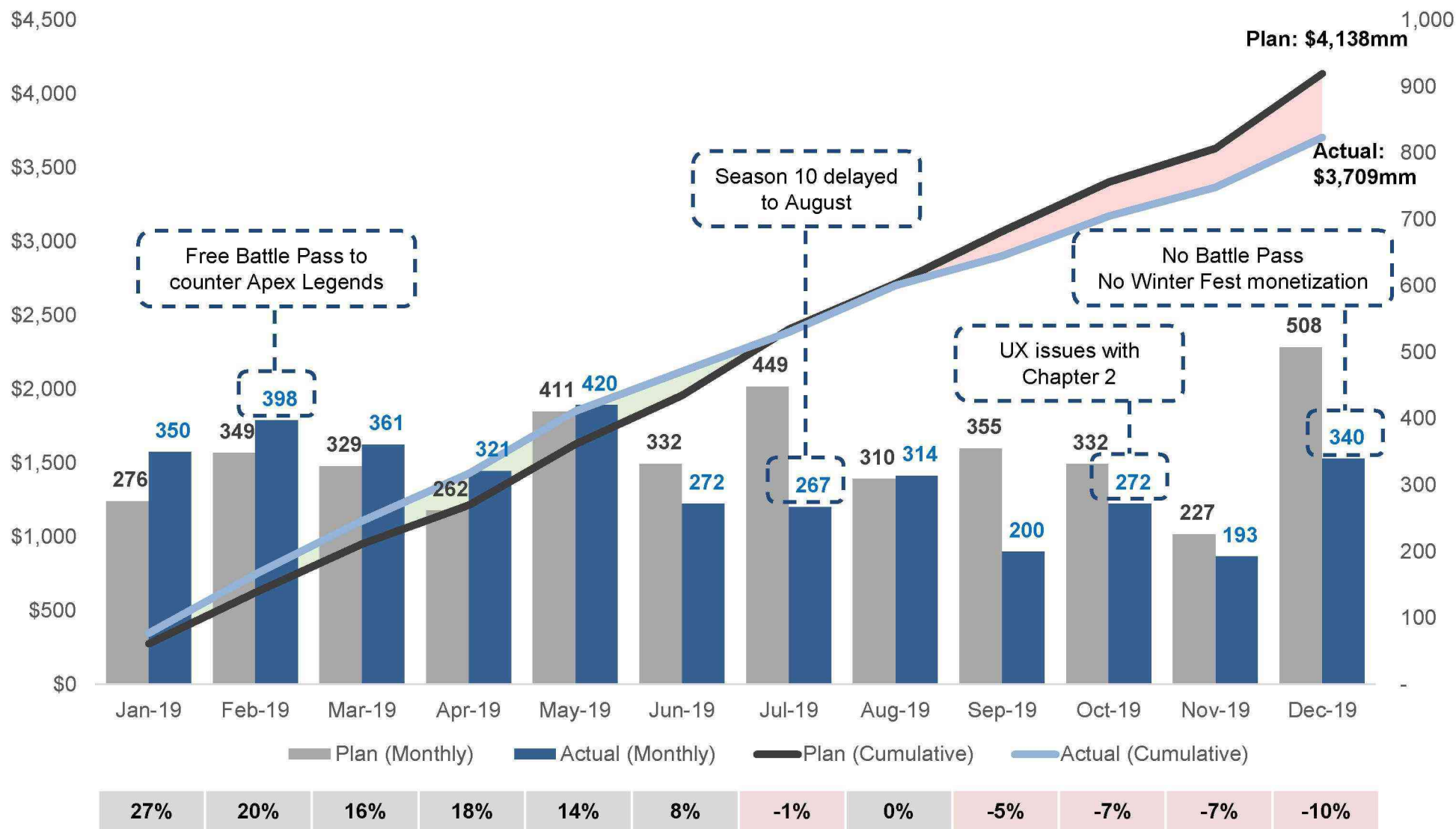
Finance Board Update

February 2020



Fortnite Revenue – 2019 Plan vs. Actual

\$ in Millions



Epic Income Statement – 2019 Plan vs. Actual

| Epic 2019 P&L | | | Commentary | |
|----------------------------|----------------|----------------|------------|--|
| (\$ in millions) | | | 2019 | |
| | Plan | Actual | | |
| 1 Game | \$4,138 | \$3,810 | | |
| 2 Fortnite | 4,138 | 3,709 | | |
| 2 Other Games | - | 100 | | |
| Engine | \$128 | \$97 | | |
| Epic Game Store | \$160 | \$233 | | |
| 3 Merchandising / Other | \$165 | \$82 | | |
| Total Gross Revenue | \$4,592 | \$4,221 | | |
| Platform Fees | \$1,166 | \$1,085 | | |
| Service Costs | \$212 | \$350 | | |
| EGS/Marketplace Costs | \$346 | \$465 | | |
| User Acquisition Costs | \$424 | \$490 | | |
| 4 Core UA | 140 | 161 | | |
| Support-a-Creator | 74 | 115 | | |
| Esports | 210 | 214 | | |
| Cost of Sales | \$2,149 | \$2,390 | | |
| Gross Profit | \$2,443 | \$1,831 | | |
| Gross Margin % | 53% | 43% | | |
| 5 People | \$222 | \$275 | | |
| Outsourcing | 63 | 110 | | |
| Events/Marketing | 75 | 59 | | |
| Other | 99 | 132 | | |
| Operating Expenses | 459 | 576 | | |
| EBITDAB | \$1,984 | \$1,255 | | |
| EBITDAB Margin % | 43% | 30% | | |
| Bonus | \$541 | \$523 | | |
| EBITDA | \$1,443 | \$732 | | |
| EBITDA Margin % | 31% | 17% | | |
| Employees | 1,583 | 1,932 | | |

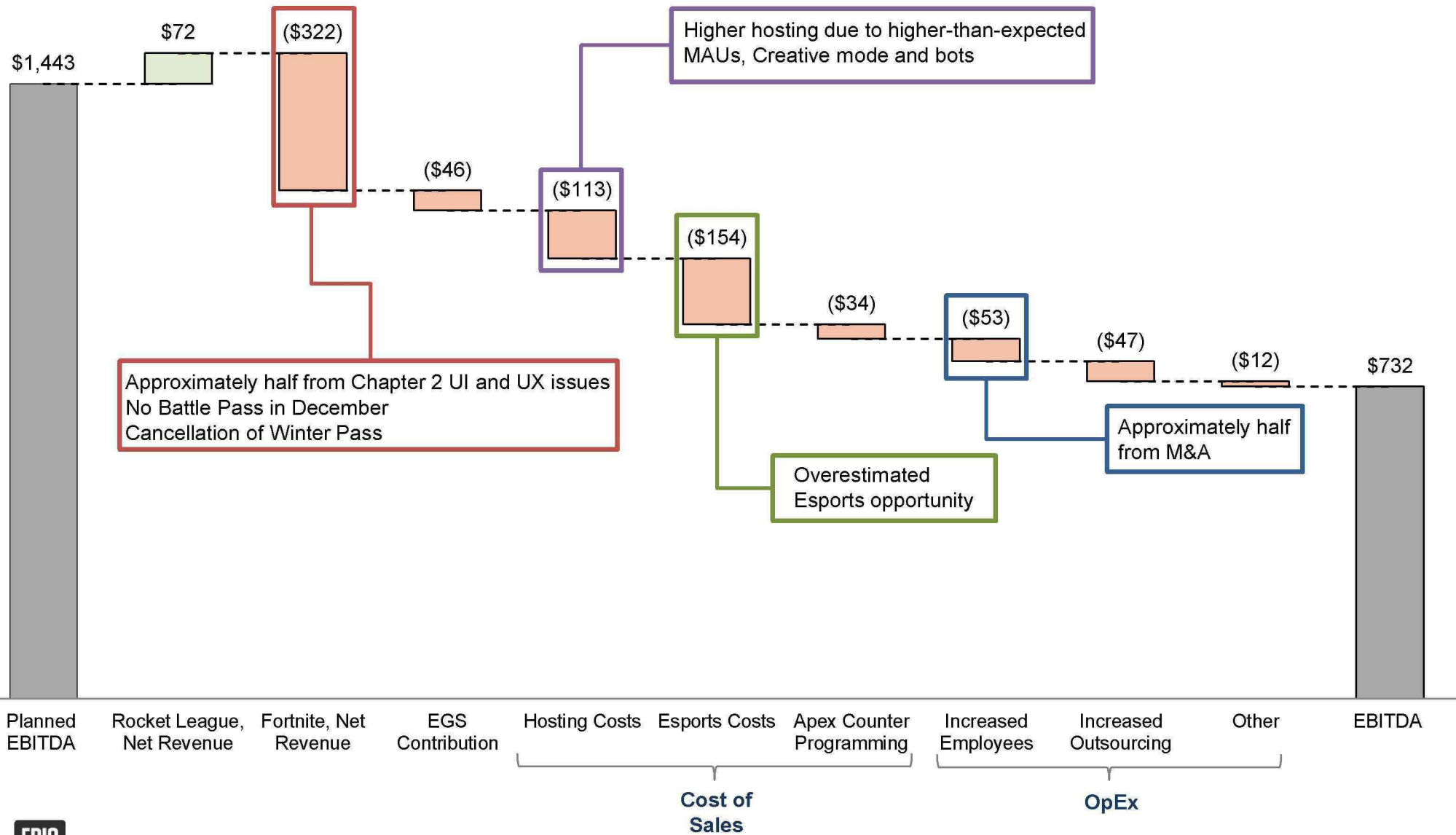
- Fortnite revenue** came in 10% behind 2019 Plan, primarily driven by a few changes to monetization roadmap, including 3 paid Battle Passes vs. initial plan for 5
 - **MAU** of 65mm in 2019 beat forecast of 59mm
 - **MAP Conversion** of 16.8% lower than Plan of 20.5%
 - **MARPPU** in 2019 of \$28.33 was in-line with Plan
- Other Games** comprise of *Rocket League* (consolidated financials as of July 2019) and *Battle Breakers*
- Merch / Other:** Higher Merch revenue was more than offset by absence of \$150mm in planned **Esports** revenue
- UA costs** came in 16% higher than expected
 - **Core UA** increase driven by IP licensing deals
 - **Support-a-Creator** increase driven by 4x promo in Feb' 19 as part of *Apex Legends* counter campaign
 - **Esports costs** comprised of roughly equal spending on physical World Cup event and competitive prizing
- Operating expenses** driven by higher-than-expected hiring (roughly half from acquisitions) and outsourcing



* Platform Fees include platform royalties and payment processing fees; Service Costs include production, hosting and customer service costs

Epic EBITDA Bridge – 2019 Plan vs. Actual

\$ in Millions



Epic Income Statement: 2019A – 2020 Plan

| Epic P&L | | |
|--------------------------------|----------------|----------------|
| (\$ in millions) | 2019 | 2020 |
| | Actual | Plan |
| Game | \$3,810 | \$3,287 |
| Fortnite | 3,709 | 3,036 |
| Other Games | 100 | 251 |
| Engine | \$97 | \$100 |
| Epic Game Store | \$233 | \$401 |
| Merchandising / Other | \$82 | \$60 |
| 1 Total Gross Revenue | \$4,221 | \$3,848 |
| Platform Fees | \$1,085 | \$919 |
| Service Costs | \$350 | \$336 |
| 2 EGS/Marketplace Costs | \$465 | \$647 |
| User Acquisition Costs | \$490 | \$392 |
| 3 Core UA | 161 | 238 |
| Support-a-Creator | 115 | 70 |
| Esports | 214 | 85 |
| Cost of Sales | \$2,390 | \$2,294 |
| Gross Profit | \$1,831 | \$1,554 |
| <i>Gross Margin %</i> | <i>43%</i> | <i>40%</i> |
| 4 People | \$275 | \$365 |
| Outsourcing | 110 | 152 |
| Events/Marketing | 59 | 53 |
| Other | 132 | 152 |
| Operating Expenses | 576 | 722 |
| EBITDAB | \$1,255 | \$832 |
| <i>EBITDAB Margin %</i> | <i>30%</i> | <i>22%</i> |
| Bonus | \$523 | \$182 |
| EBITDA | \$732 | \$650 |
| <i>EBITDA Margin %</i> | <i>17%</i> | <i>17%</i> |
| Employees | 1,932 | 2,232 |



* Platform Fees include platform royalties and payment processing fees; Service Costs include production, hosting and customer service costs

| Commentary | |
|------------|--|
| 1 | <p>Total gross revenue is expected to decline 9% YoY in 2020</p> <ul style="list-style-type: none"> ▪ Fortnite priority is maintain/grow player base and engagement ahead of new monetization initiatives and Valkyrie arriving later this year <ul style="list-style-type: none"> — MAU: Achieved Dec-19 MAU of 68mm from 55mm bottom in Sep-19; maintained 68mm in Jan-20. Plan is 64mm MAU average in 2020 — MAP Conversion / MARPPU: Plan reflects 14.3% conversion, down from 16.8% last year with 3% decline in MARPPU ▪ Other Games driven by <i>Rocket League</i> and release of <i>Spy Jinx</i> ▪ Engine revenue expected to be flat in 2020 with lower <i>PUBG</i> contribution offset by new deals ▪ Epic Game Store revenue expected to grow significantly in 2020 with more content and growing player base |
| 2 | <ul style="list-style-type: none"> ▪ EGS costs reflect continued investments in MGs |
| 3 | <ul style="list-style-type: none"> ▪ UA costs expected to decrease 20% in 2020 — Core UA includes additional IP licensing costs and \$50mm EGS marketing campaign in 2020 — Support-a-Creator: Assumes 4x promotion in Feb-19 will not reoccur — Esports: No World Cup in 2020 |
| 4 | <ul style="list-style-type: none"> ▪ People cost reflect full year run-rate of employee base at the end of 2019 and 300 expected new hires in 2020 |