

From: Danny Block <[REDACTED]>
Sent: Fri, 26 Jul 2019 14:03:38 +0000 (UTC)
To: Joe Kreiner <[REDACTED]>
Cc: Devin Winterbottom <[REDACTED]>; Canon Pence
 <[REDACTED]>
Subject: Re: Fortnite Card Economics

We were aiming for 30%, but coming at 35% was okay from previous discussion. Gearbox should eat ingestion, they are doing the work.

Looks closer to 36.5%. Net effect to us is ~7% premium above normal console split to be in channel we don't serve that should be both marketing and additive spend.

Their initial order covers \$170M face value of cards for holiday selling season. My bet is (marketing aside) half that will be incremental above users currently buying generic platform cards; where we get less than full value of the console going into Fortnite.

Seems like an OK outcome to me to be in channel at a low premium vs the retail disks (also incremental revenue from otherwise empty channel) at a worse net cut to Epic.

On Fri, Jul 26, 2019 at 9:54 AM Joe Kreiner <[REDACTED]> wrote:

Rolling internal for discussion.

While these economics aren't great, it gets us the end result we are looking for. I will push to have Gearbox cover " freight / ingest / peg card ", but we have agreed Epic covers manufacturing.

Joe Kreiner
 VP of Business Development
 Epic Games store / 1st & 3rd Party Relations
 [REDACTED]

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DEFENDANT	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-4010
	Date Entered _____
	Susan Y. Soong, Clerk
	By: _____, Deputy Clerk

----- Forwarded message -----

From: Steve Gibson <[REDACTED]>
Date: Fri, Jul 26, 2019 at 9:45 AM
Subject: Fortnite Card Economics
To: Joe Kreiner <[REDACTED]>, Devin Winterbottom <[REDACTED]>
Cc: Erick Cobbs <[REDACTED]>, Brad Schliesser
 <[REDACTED]>, Jimmy Sieben <[REDACTED]>

Just the numbers for this thread. Taking into account Sony holding to 17.5% this morning.

Platform Fees:

Nintendo 15% of face value (payment in arrear)

Sony 17.5% of face value (payment in arrear or up front)

Microsoft 20% (pre-payment of keys last we heard)

A \$10 console redeemed card looks like this:

\$1.75 to console platform 17.5% of face value (on average across the 3)

\$1.20 to Incomm + retailer (it's a blend, usually 2% and 10%)

\$0.35 to Gearbox at 5% of net (effectively 3.5% of face)

COGS:

\$0.27 to manufacture to SVS (on average)

\$0.08 to freight / ingest / peg card (on average)

EPIC:

\$6.35 to Epic

A \$40 console redeemed card looks like this:

\$7.00 to console platform 17.5% of face value (on average across the 3)

\$4.80 to Incomm + retailer (it's a blend, usually 2% and 10%)

\$1.41 to Gearbox at 5% of net (effectively 3.5% of face)

COGS:

\$0.27 to manufacture to SVS (on average)

\$0.08 to freight / ingest / peg card (on average)

EPIC:

\$26.44 to Epic