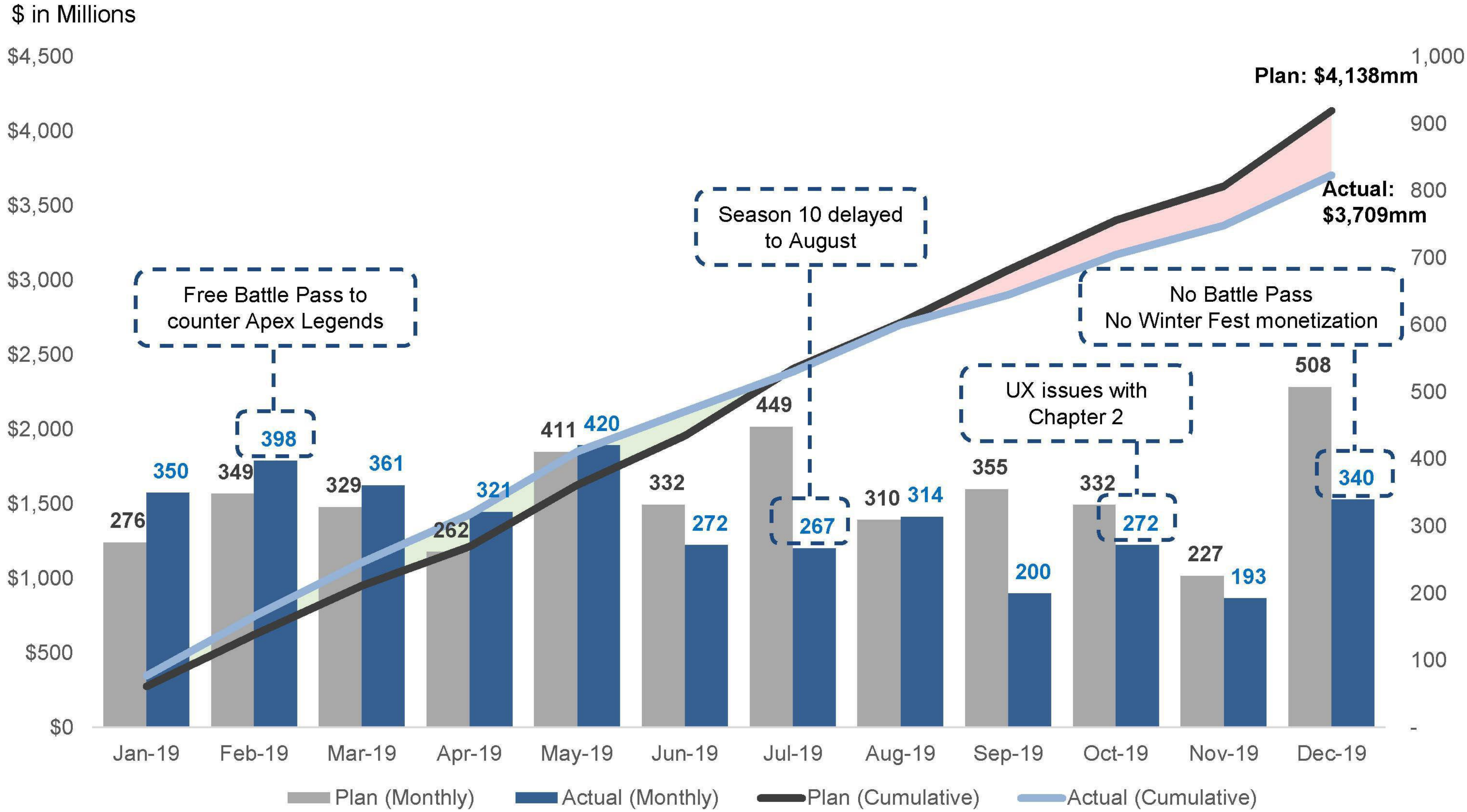
United States District Court
Northern District of California
Case No. 4:20-cv-05640-YGR
Case Title *Epic Games, Inc. v. Apple, Inc.*
Exhibit No. DX-3467
Date Entered
Susan Y. Soong, Clerk
By: , Deputy Clerk
Δ DEFENDANT Δ

Finance Board Update

February 2020

PRIVATE AND CONFIDENTIAL

Fortnite Revenue – 2019 Plan vs. Actual



27%	20%	16%	18%	14%	8%	-1%	0%	-5%	-7%	-7%	-10%

Cumulative Actual Revenue vs. Plan Revenue

EPIC GAMES

Epic Income Statement – 2019 Plan vs. Actual

Epic 2019 P&L

($ in millions)		2019	
		Plan	Actual
	Game	$4,138	$3,810
1	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
	Core UA	140	161
4	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**

Commentary

1. ***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

2. **Other Games** comprise of *Rocket League* (consolidated financials as of July 2019) and *Battle Breakers*

3. **Merch / Other**: Higher Merch revenue was more than offset by absence of $150mm in planned **Esports** revenue

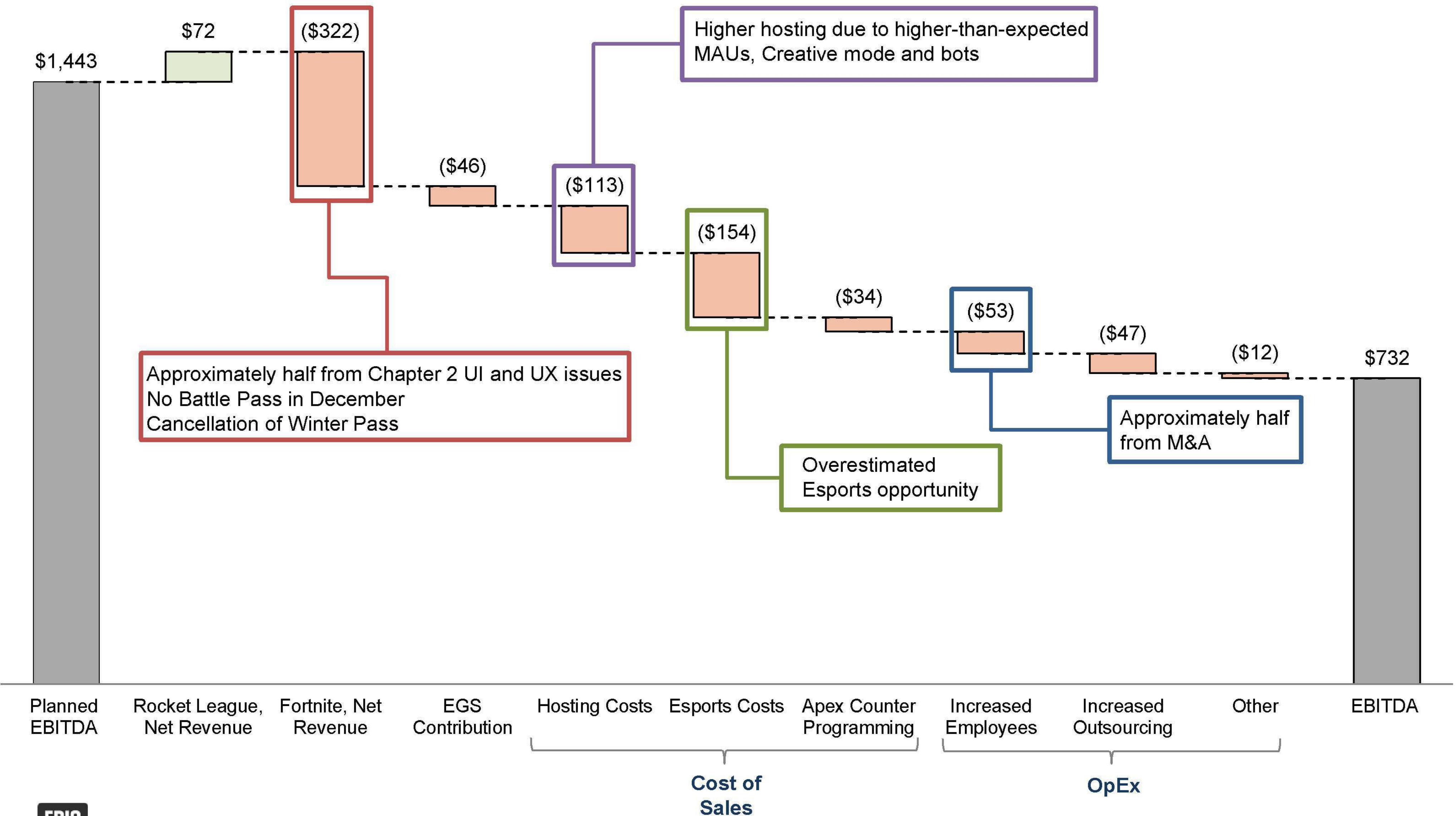
4. **UA costs** came in 16% higher than expected
   - **Core UA** increase driven by IP licensing deals
   - **Support-a-Creator** increase driven by 4x promo in Feb' 19 as part of *Apex Legends* counter campaign
   - **Esports costs** comprised of roughly equal spending on physical World Cup event and competitive prizing

5. **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 Actual	2020 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
3 User Acquisition Costs	$490	$392
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**
Gross Margin %	*43%*	*40%*
4 People	$275	$365
Outsourcing	110	152
Events/Marketing	59	53
Other	132	152
Operating Expenses	**576**	**722**
EBITDAB	**$1,255**	**$832**
EBITDAB Margin %	*30%*	*22%*
Bonus	$523	$182
EBITDA	**$732**	**$650**
EBITDA Margin %	*17%*	*17%*
Employees	**1,932**	**2,232**

Commentary

1 **Total gross revenue** is expected to decline 9% YoY in 2020

- **Fortnite** priority is maintain/grow player base and engagement ahead of new monetization initiatives and Valkyrie arriving later this year
  - — **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 ***Rocket League*** and release of ***Spy Jinx***
- **Engine revenue** expected to be flat in 2020 with lower *PUBG* contribution offset by new deals
- **Epic Game Store** revenue expected to grow significantly in 2020 with more content and growing player base

2
- **EGS costs** reflect continued investments in MGs

3
- **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
- **People** cost reflect full year run-rate of employee base at the end of 2019 and **300** expected new hires in 2020

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