

DoubleU Games

Social casino professional developer

2018.3rd Quarter Results





| Disclaimer

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1. Business Performance: Earnings Summary (consolidated)

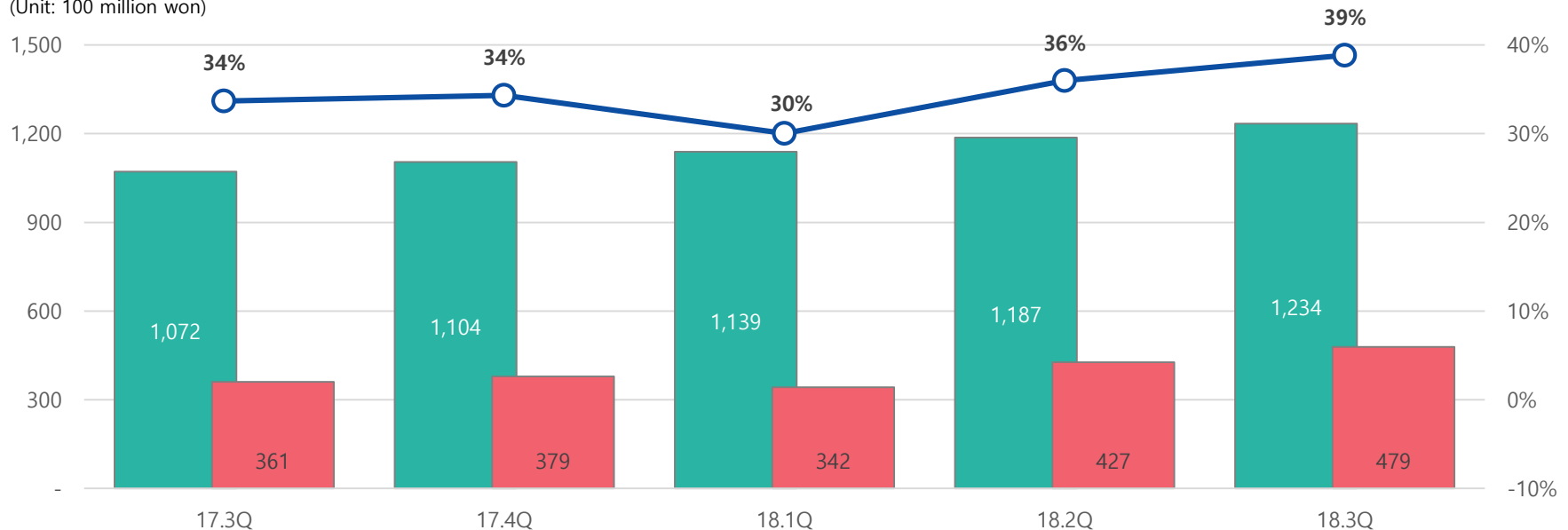


- In 18.3Q, operating revenue grew at a record high of Y/Y 15.1%, at 123.4 billion won.
- EBITDA increased by Y/Y 32.6% to 47.9 billion won (Margin 39%).

Operating income increased by Y/Y 42.1% to 39.2 billion won (Margin 32%)

Operating revenue, EBITDA

(Unit: 100 million won)



* Note) 18.1Q marketing cost about 20 billion won

Operating revenue EBITDA EBITDA %

(Unit: 1 billion won)	17.3Q	18.2Q	18.3Q	Y/Y	Q/Q
Operating revenue	107.2	118.7	123.4	15.1% ↑	4.0% ↑
Operating income	27.6	34.5	39.2(31.8%)	42.1% ↑	13.8% ↑
EBITDA	36.1	42.7	47.9(38.9%)	32.6% ↑	12.2% ↑

1. Business Performance: Profit and Loss Analysis (consolidated)



- Maintained strong growth in the social casino market during low-demand season (3Q summer, market growth Q/Q 0.4%)
- Maximizing margins through continuous effort to obtain cost-efficiency structure via marketing, royalties, and etc.

(Operating income ratio improved by 6.1% compared with 17.3Q)

DUG 18.3Q review (consolidated)

(Unit: 100 million won)

Type	18.3Q	%	18.2Q	17.3Q	Y-Y	Y/Y	Q-Q	Q/Q	Note
Operating revenue	1,233.7	100.0%	1,186.8	1072.0	161.7	15.1%	46.9	4.0%	3Q average exchange rate 1,122won 4Q average exchange rate 1,130won
Operating cost	841.3	68.2%	841.9	795.9	45.4	5.7%	-0.6	-0.1%	
Platform fee	366.6	29.7%	353.7	321.6	45.0	14.0%	12.9	3.6%	
Marketing cost	133.4	10.8%	152.8	133.3	0.1	0.1%	-19.4	-12.7%	Maintaining efficiency marketing
Royalty	45.2	3.7%	46.8	53.9	-8.7	-16.1%	-1.6	-3.4%	DUC slot sales portion Increase In DDC
Amortization expense	86.8	7.0%	81.6	81.6	5.2	6.4%	5.2	6.4%	Effected by rise in exchange rate
Labor cost	155.4	12.6%	131.1	138.7	16.7	12.0%	24.3	18.5%	One-off bonus of 1billion won incurred by subsidiary company
other operating expense	53.9	4.4%	75.9	66.8	-12.9	-19.3%	-22.0	-29.0%	
Operating income	392.4	31.8%	344.9	276.1	116.3	42.1%	47.5	13.8%	
EBITDA	479.2	38.8%	427.0	361.4	117.8	32.6%	52.2	12.2%	

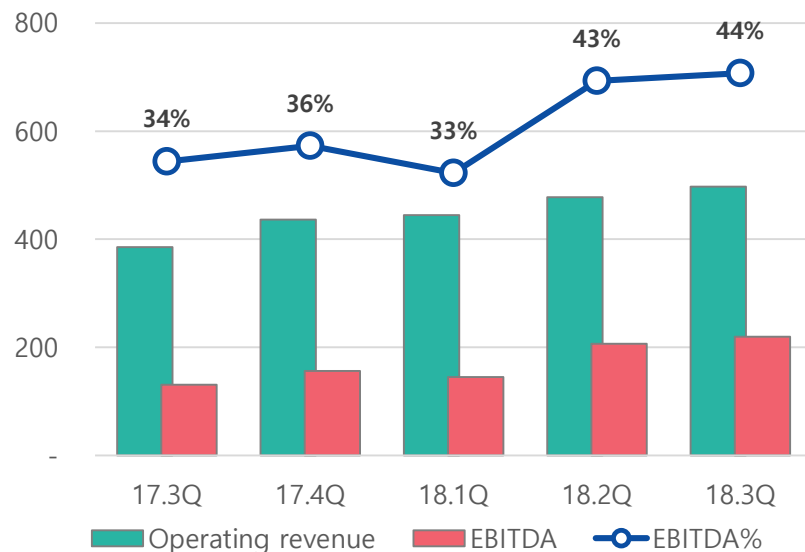
1. Business Performance: Earnings Summary (Separate) DUG, DDI



- **DUG** : Operating revenue increased by 29% Y/Y to 49.7 billion won. Operating income increased by 72% to 21.8 billion won. (Op Margin 44%)
- **DDI** : Operating revenue increased by 9% to 74.9 billion won. Operating income increased by 25% to 19.9 billion won. (Op Margin 27%, EBITDA Margin 38%)

DUG

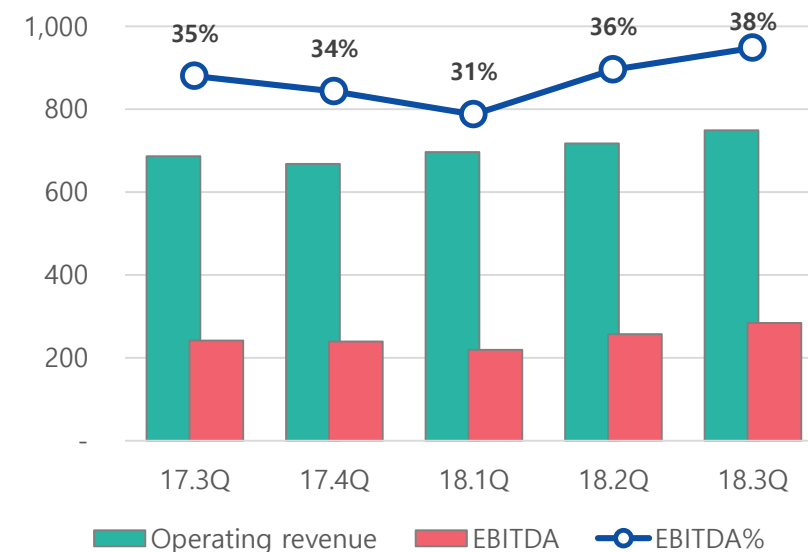
(Unit: 100 million won)



(Unit: 1 billion won)	18.3Q	Y/Y	Q/Q
Operating revenue	49.7	29.0% ↑	4.0% ↑
Operating income	21.8	72.4% ↑	6.2% ↑
EBITDA	21.9	67.2% ↑	6.0% ↑

DDI

(Unit: 100 million won)



(Unit: 1 billion won)	18.3Q	Y/Y	Q/Q
Operating revenue	74.9	9.1% ↑	4.4% ↑
Operating income*	19.9	24.8% ↑	12.7% ↑
EBITDA	28.4	17.7% ↑	10.6% ↑

* Note: Difference between EBITDA and operating income due to the effect of amortization of M&A intangible asset (8 billion won per quarter, expected to end in 1H21)

1. Business Performance: DUG Profit and Loss Analysis (separated)



- In addition to the growth of DUC, the flagship game, top line increased by expansion of DUC slot loyalty provided to DDC.
- Continue to reduce marketing expenses at the execution level 12% of operating revenue.

Operating income reached a record high of 21.8 billion won.

DUG 18.3Q review (separate)

(Unit: 100 million won)

Type	18.3Q	%	18.2Q	17.3Q	Y-Y	Y/Y	Q-Q	Q/Q	Note
Operating revenue	497.1	100.0%	477.8	385.4	111.7	29.0%	19.3	4.0%	
DUC	448.0	90.1%	428.5	354.8	93.2	26.3%	19.5	4.6%	
Take5	30.4	6.1%	32.2	24.8	5.6	22.6%	-1.8	-5.6%	
Other games	6.7	1.3%	9.5	5.9	0.8	13.6%	-2.8	-29.5%	
Royalty	12.0	2.4%	7.6	0.0	12.0		4.4	57.9%	Received slot IP royalty from DDC
Operating cost	279.5	56.2%	272.9	259.2	20.3	7.8%	6.6	2.4%	
Platform fee	144.8	29.1%	140.6	115.6	29.2	25.3%	4.2	3.0%	
Marketing cost	61.5	12.4%	67.4	66.0	-4.5	-6.8%	-5.9	-8.8%	Maintaining efficient marketing
Labor cost	54.6	11.0%	48.3	55.2	-0.6	-1.1%	6.3	13.0%	
other operating expense	18.6	3.7%	16.6	22.4	-3.8	-17.0%	2.0	12.0%	
Operating income	217.6	43.8%	204.9	126.2	91.4	72.4%	12.7	6.2%	
EBITDA	219.4	44.1%	207	131.2	88.2	67.2%	12.4	6.0%	

1. Business Performance: DDI Profit and Loss Analysis (separated)



- Operating revenue increased by Y/Y 9.1% , to 74.9 billion won due to growth of DDC.
- Operating income increased by Y/Y 25% , to 19.9 billion won due to reducing marketing cost(Margin 27%), EBITDA 28.4 billion won (Margin 38%)

DDI 18.3Q review (separate)

(Unit: 100 million won)

Type	18.3Q	%	18.2Q	17.3Q	Y-Y	Y/Y	Q-Q	Q/Q	Note
Operating revenue	748.8	100.0%	716.8	686.6	62.2	9.1%	32.0	4.5%	
DDC	726.6	97.0%	695.0	685.7	40.9	6.0%	31.6	4.5%	18.2Q Completed renewal
DDC Classic	6.4	0.9%	4.9	0.9	5.5	611.1%	1.5	30.6%	17.3Q Newly launched
Ellen	14.5	1.9%	16.9	0	14.5		-2.4	-14.2%	17.3Q Newly launched
FortKnox	1.3	0.2%	0.0	0	1.3		1.3		18.3Q Newly launched
Operating cost	549.4	73.4%	539.9	526.8	22.6	4.3%	9.5	1.8%	
Platform fee	221.8	29.6%	213.2	203.7	18.1	8.9%	8.6	4.0%	
Marketing cost	71.1	9.5%	85.3	67.3	3.8	5.6%	-14.2	-16.6%	Maintaining efficient marketing
Royalty	63.0	8.4%	60.5	53.9	9.1	16.9%	2.5	4.1%	
Amortization expense	84.7	11.3%	79.9	81.6	3.1	3.8%	4.8	6.0%	
Labor cost	62.7	8.4%	57.3	77.7	-15.0	-19.3%	5.4	9.4%	
other operating expense	46.1	6.2%	43.3	42.6	3.5	8.2%	2.8	6.5%	
Operating income	199.4	26.6%	176.9	159.8	39.6	24.8%	22.5	12.7%	
EBITDA	284.2	38.0%	256.9	241.5	42.7	17.7%	27.3	10.6%	

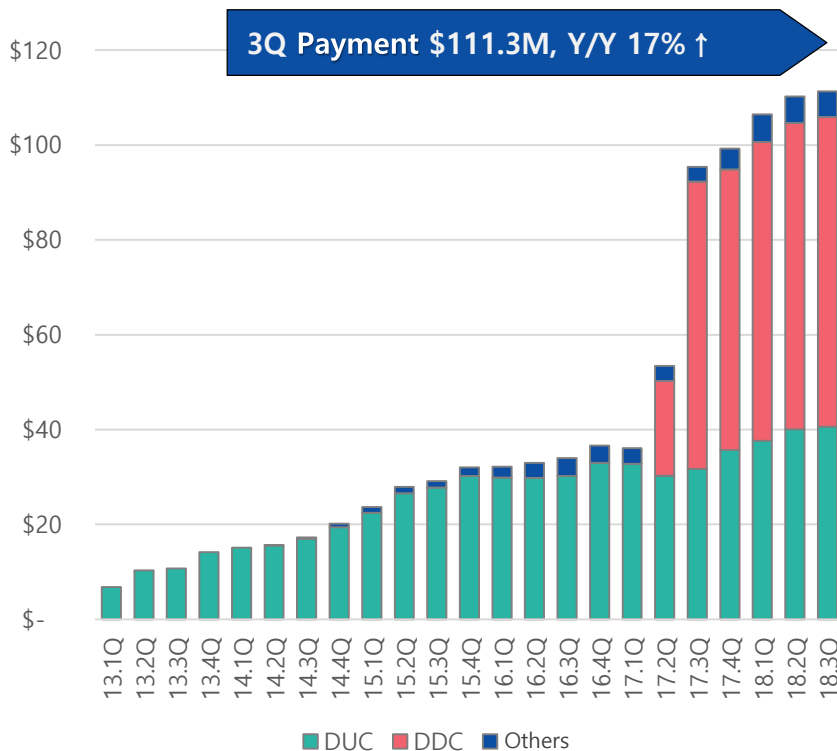
2. Game Performance: Total Payment Amount



- The total payment amount in 3rd quarter grew by Y/Y 17%, reaching a record high quarter payment amount of \$ 111.3M
- DUC grew by Y/Y 28% to \$41M, DDC grew by Y/Y 7.9% to \$65M. Growth for both games were driven by mobile

Quarterly payments growth

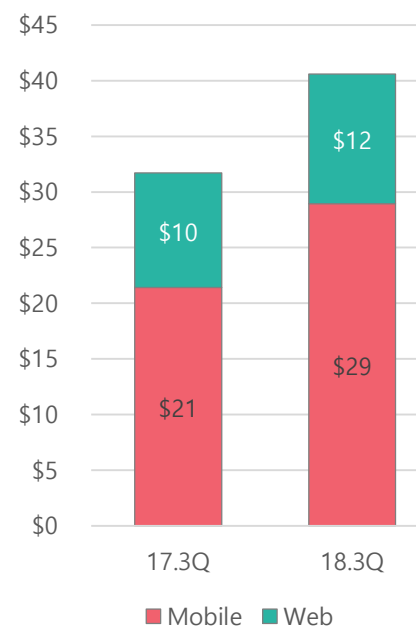
(Unit: \$ million)



* Note: Payments ratio by major games DDC 58.7%, DUC 36.5%, others 4.8%

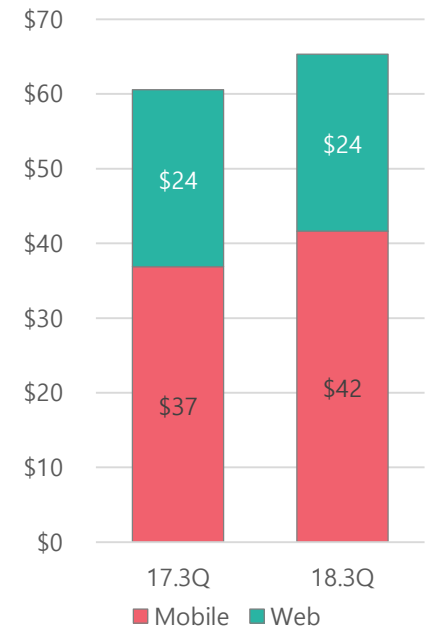
DUC Payment

(Unit: \$ million)



DDC Payment

(Unit: \$ million)



Y/Y	Total	Web	Mobile
DUC	28.0%	12.9% ↑	35.2% ↑
DDC	7.9%	0.1% ↑	12.9% ↑

2. Game Performance: Payment trend after renewal of DDC



- Late June, amount of payment continue to rise since renewal of DDC.

September payment increased by 7.2% to \$22.3M, compared to June

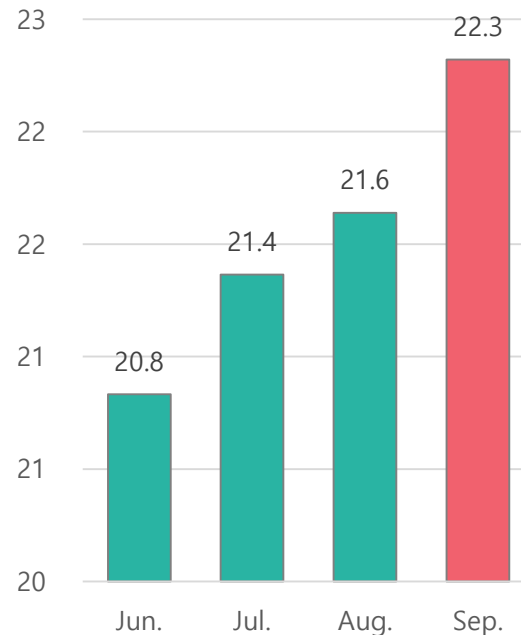
- The introduction of 'VIP content' increased playing time and average betting amount, leading the growth of ARPPU

Renewal of DDC

	1. VIP Room <ul style="list-style-type: none">- Increase average betting amount- Increase ARPPU
	2. Membership <ul style="list-style-type: none">- Increase Royalty- Increase DAU
	3. Personalized offer <ul style="list-style-type: none">- Increase payment during non-sale period- Increase PUR
	4. Jackpot happy hour <ul style="list-style-type: none">- Increase playing time- Increase average betting amount

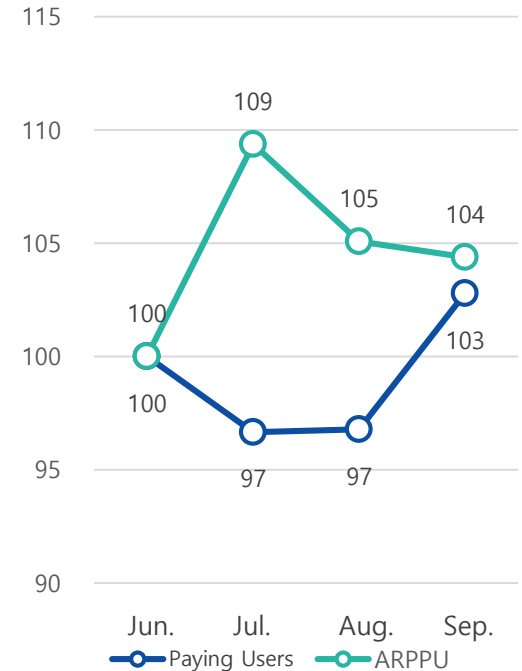
DDC monthly sales

(Unit: \$ million)



Paying User, ARPPU

(Unit: ARPPU in June: 100)

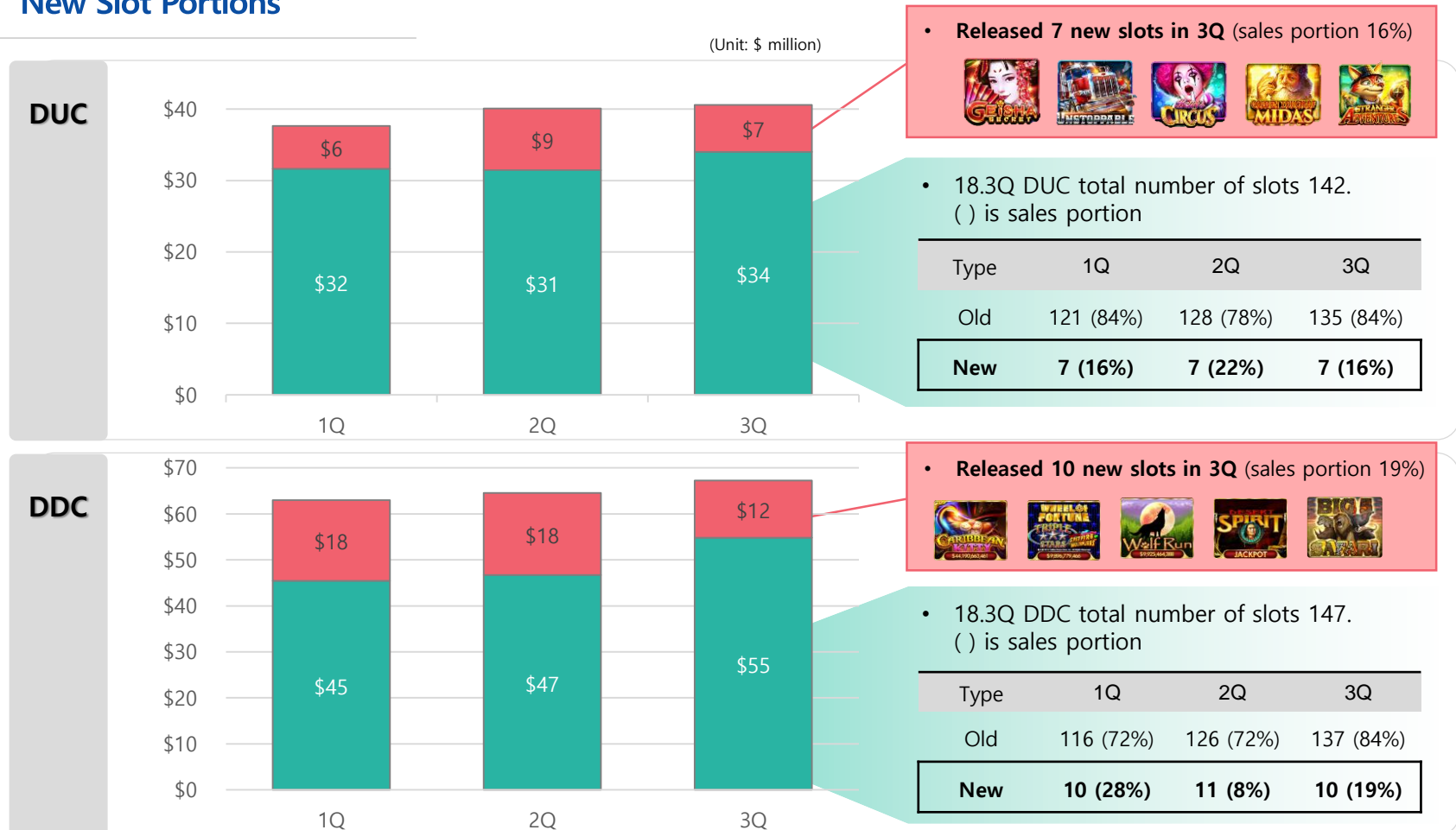


2. Game Performance: DUC, DDC New Slot Release Status



- 3Q DUC, DDC each **released 7 and 10 new slots** adding to 16~19% of sales portion
- Along with the growth of existing game payments, the total payment amount has increased due to the launch of new slot games every quarter (**Platformization of games in progress**)

New Slot Portions



2. Game Performance : Marketing and Payment Status

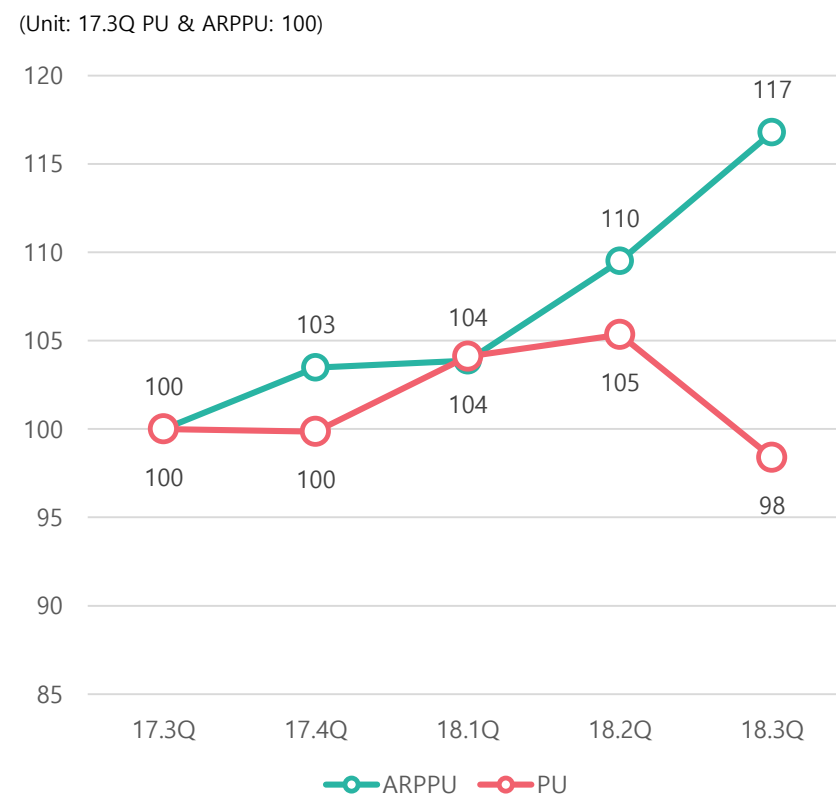


- **Profits are accelerating** due to reduced quarterly marketing costs, and increase payment
- Top-line growth driven by index improvement centered on existing users
(pay-users conversion ratio, payment frequency, payment amount, etc.)

Marketing cost, Payment Status (consolidated)



PU, ARPPU Status (DUC, DDC total) * 17.3Q 100



2. Game Performance : Marketing and Payment Status of New Games

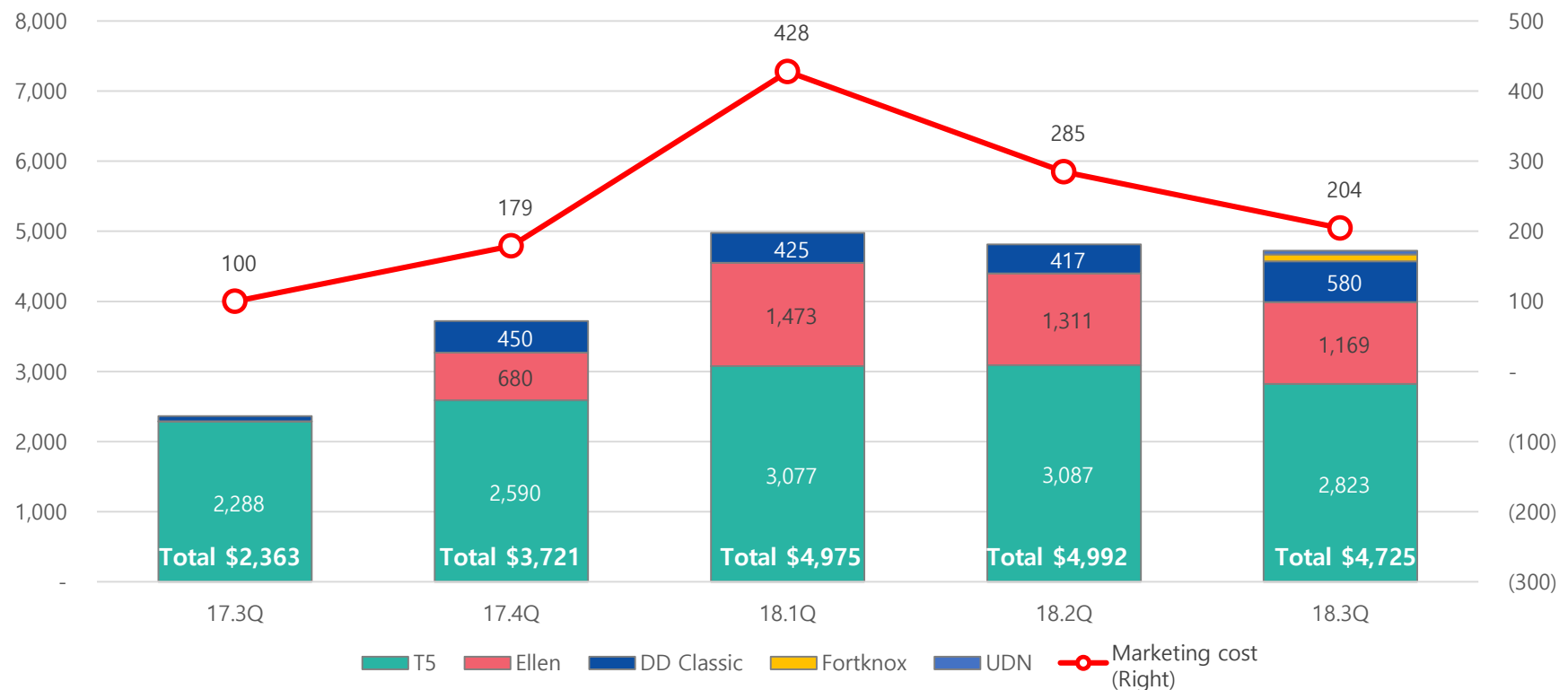


- Sales decline was noticed with marketing decrease for small scale new games with a little amount of existing user STACK (DD Classic grew up)
- Improving marketing efficiency through game advancement.** Growth of 'DDC FortKnox' payment kicks off

Quarterly New Game Payments and Marketing Cost Status

(Unit: \$ 1,000)

(Unit: 17.3Q Marketing cost amount: 100)



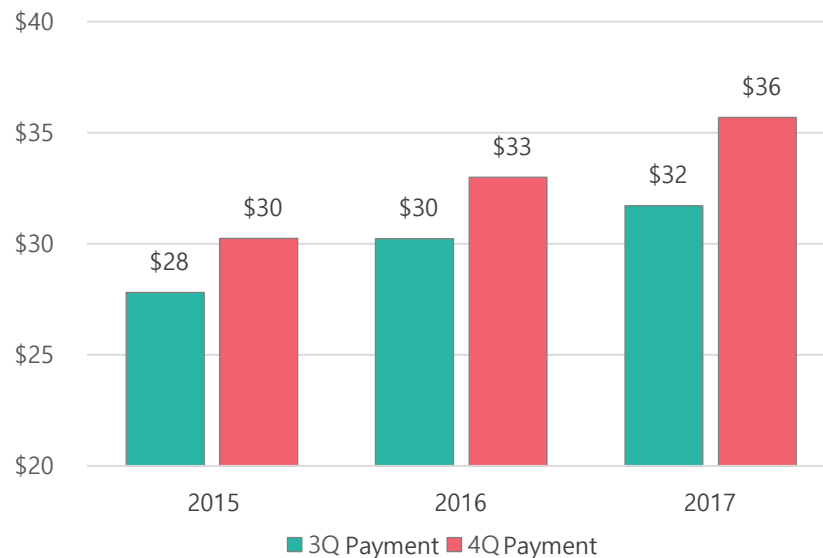
3. Business Plan for 4Q: Maximizing peak-season effect (seasonal event)



- The 4Q is the peak season for the social casino market, with an average of 10.1% Q/Q growth over the past three years
- Plan to maximize effects of seasonal events during Halloween (October), Thanks giving (November), Christmas (December), and the New year (December)

Yearly Growth in 4Q (Q/Q) * DUC

(Unit: \$ million)



Year	Q-Q	Q/Q
FY2015	\$2,435,538 ↑	8.8% ↑
FY2016	\$2,767,700 ↑	9.2% ↑
FY2017	\$3,973,371 ↑	12.5% ↑
3 Years Average		10.1% ↑

4Q Main Seasonal Events

Oct: Halloween



4Q last year, daily payment increased by 13.6% during Halloween event compared to daily average payment

Nov: Thanks giving



4Q last year, daily payment increased by 13.3% during Thanksgiving event compared to daily average payment

Dec: Christmas



4Q last year, daily payment increased by 26.6% during Christmas event compared to daily average payment

Dec: New Year



4Q last year, daily payment increased by 20.6% during New Years event compared to daily average payment

3. Business Plan for 4Q: launched Ellen slot in DUC (11/1)

- **New Users LOCK-IN Strategy** by **expanding user acquisition** using Ellen IP power and competitiveness of DUC
- ‘Ellen Slots Grand OPEN in DUC’ launched (11/1). Marketing promotion scheduled to collaborate with ‘Ellen Show’ and ‘Ellen App’

Launched new Ellen IP in DUC



Progress and launching plans

- **November 1st: launched Ellen slot in DUC**
- **Background**
 - Maximize marketing effect using Ellen IP power
- **Expected effect**
 - Increase user traffic through influx of Ellen fans
 - Maximize DUC sales through Ellen fan lock-in
 - Expect synergy with Ellen apps through cross promotion

[Reference] Ellen App Promotion History through Ellen Show Advertisement

→ When it was advertised twice in last November and March of this year, total number of download was the number one (80,000) of all US games.

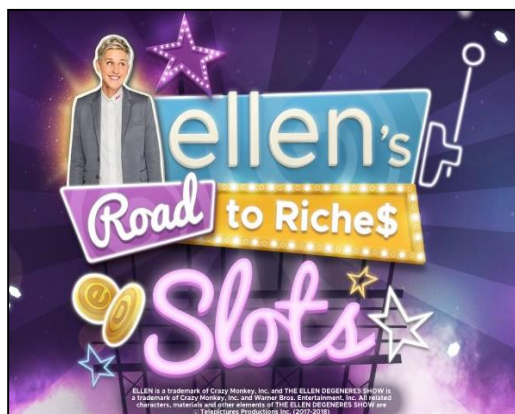
3. Business Plan for 4Q: Advancement of New Games of DDI



- (Ellen App) **FB Launching completed October this year.** Currently recruiting users via featuring.
Scheduled to launch during 4Q, will promote 1st anniversary via Ellen Show in 4Q
- (DD Classic, DD FK) Peak season promotion and slot library extension scheduled for 4Q

4Q Plans for each Games

Ellen's Road to Riche\$



- Facebook platform launching (Oct)
- BGL advertisement in progress
- Collaboration with TV show for 1st anniversary promotion(November)
- Seasonal promotion/providing discounts

On Oct 27th, ranked 45th on Top Sales of iOS Casino Games Chart

DoubleDown Classic



- New Slot launching in every 2 weeks
- Seasonal promotion/providing discounts

On Oct 19th, ranked 46th on Top Sales of iOS Casino Games Chart

DoubleDown FortKnox



- Google platform launching plan (November)
- Launching popular classic slots
- Seasonal promotion/providing discounts

On Sep. 29th ranked 71st on Top Sales of iOS Casino Games Chart

3. Business Plan for 4Q : Targeting Asian Market (Double Fortune Slots)

- DFS Global (English Version) **global Launching completed on October 25th (Android)**. App Stabilization and advancement under progress
- DFS Taiwan Build(Traditional Chinese Version), planned to have marketing related contract with local marketing partner in 4Q. Scheduled to release in local markets during 19.1Q

Double Fortune Slot (DFS)



Progress and launching plans

- DFS Global Build: Launched Oct 25
 - (Theme) Chinese style UI and slots
 - (Target) Global users who like Asian style
- DFS Global Build: Planned after app stabilization
 - (update) weekly new slot launching
 - (marketing) plan to initial marketing test



Progress and launching plans

- DFS Taiwan exclusive build: Expected to complete development in 4Q
 - (Contract) In consultation with local Taiwanese leading publisher
 - (Localization) Contract to be completed in 4th quarter and localization work scheduled
 - (Release) 19. 1Q Taiwanese exclusive build scheduled to be released

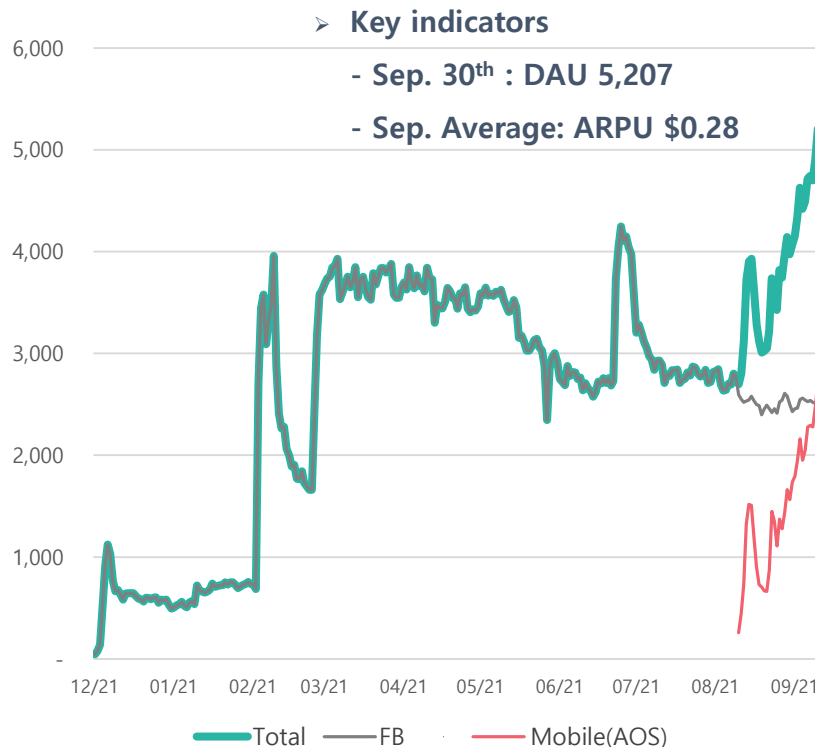
3. Business Plan for 4Q: Launching Undead Nation Official Service



- **Undead Nation mobile was launched in 3Q.** DAU and payment index is increasing via viral marketing (free)
- Commencement of official service through paid marketing in 4Q.

Marketing ROI strategy is the same as in the casino genre (expect gradual expansion)

Undead Nation DAU Status



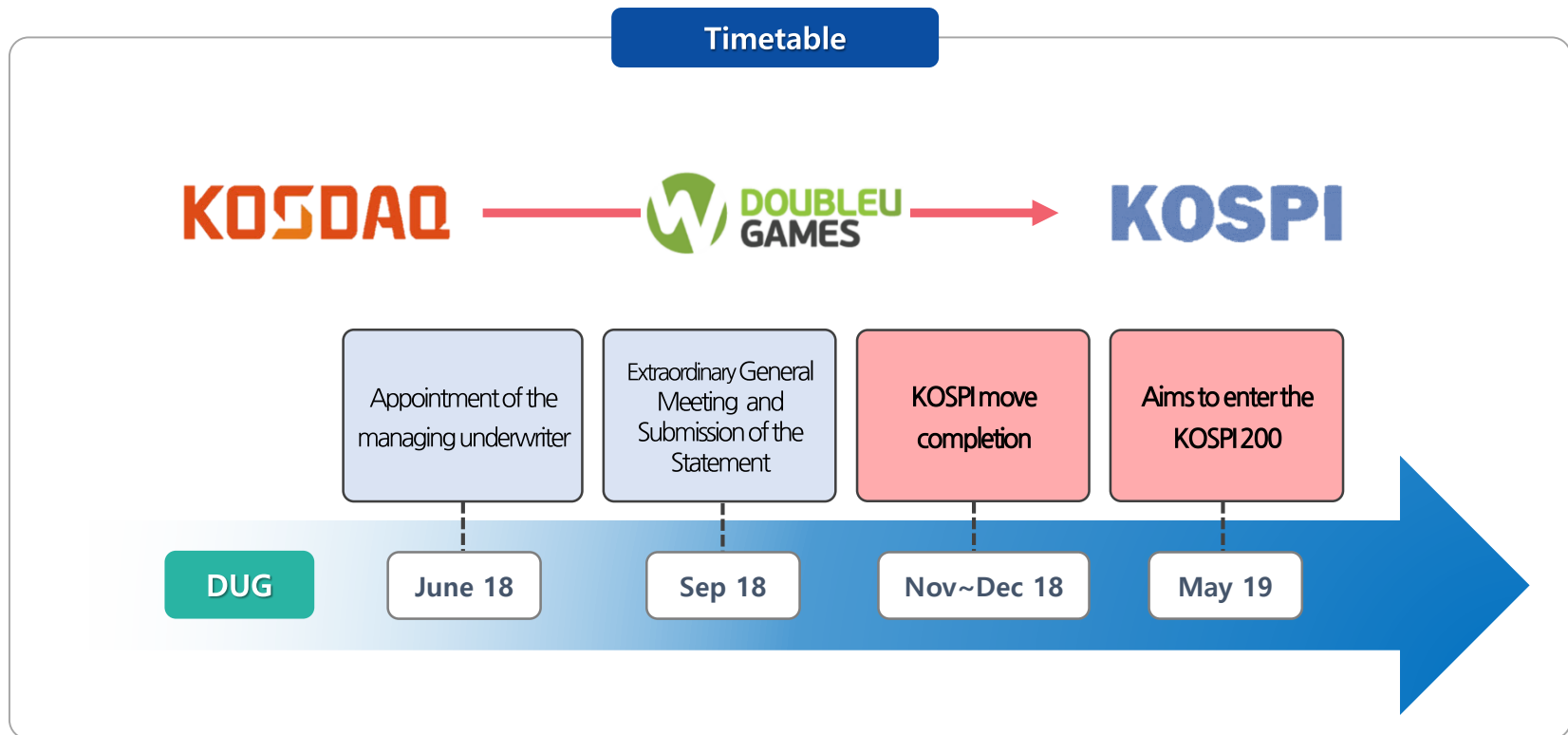
Progress and launching plans



- Mobile soft launching completed (August 30th, 2018)
 - Region: North America, Europe, and South-East Asia
- Mobile environment and content optimization plans
 - Core contents development and BM advancement
 - Plans for Halloween, and Christmas seasonal events
 - Paid mobile marketing test scheduled

3. Business Plan for 4Q: DUG schedule of KOSPI move

- DUG plans to move to KOSPI in 2018 (Nov~Dec)
- Aims to enter the KOSPI 200 (May 2019)



Consolidated financial statements



18.3Q Consolidated Income Statement

(Unit: 100 million won)

Type	17 1Q	17 2Q	17 3Q	17 4Q	17 4Q TTM	18 1Q	18 2Q	18 3Q	18 3Q TTM
Operating revenue	414	604	1,072	1,104	3,193	1,139	1,187	1,234	3,560
Operating cost	246	528	796	814	2,383	879	842	841	2,562
Platform fee	124	181	322	322	949	342	354	367	1,062
Marketing cost	50	88	133	143	414	200	153	133	486
Stock-based compensation	5	4	4	1	13	1	0	-	1
Royalty	-	19	54	55	127	53	47	45	146
Amortization expense	1	26	82	88	197	81	82	87	250
Other expenses	66	103	202	205	576	202	206	209	618
Temporary cost (M&A)	-	107	-	-	107	0	0	-	0
Operating income	168	76	276	290	810	260	345	392	998
EBITDA	174	106	361	379	1,020	342	427	479	1,249
Non-operating income	15	67	38	(66)	55	11	132	(11)	132
Interest income	12	14	10	2	30	1	1	3	6
Foreign currency effect	3	53	29	(68)	25	10	131	(14)	127
Non-operating Cost	60	89	93	239	482	97	71	91	259
Interest cost	-	97	90	84	263	78	79	77	234
Foreign currency effect	59	(7)	2	153	207	17	-8	4	13
Other expenses	1	(1)	1	2	11	2	1	10	13
Equity-method loss & others	-	-	-	-	-	-	-	-	0
Profit before tax	123	54	221	(15)	383	175	406	290	870
Taxes	8	(8)	75	(47)	27	37	76	53	166
Net income	114	62	148	32	356	138	330	237	704
Ownership of parent company	111	62	148	32	353	138	330	237	704
Non-controlling interest	3	-	-	-	3	-	-	-	-
Operating income %	40.5%	12.6%	25.8%	26.3%	25.4%	22.8%	29.1%	31.8%	28.0%
EBITDA %	42.0%	17.5%	33.7%	34.3%	35.3%	30.0%	36.0%	38.8%	35.1%

* Note) Consolidated subsidiaries: DoubleEight Games (100%), The8Games (100%)

Payments by game

Payments by game

Game	17.1Q	17.2Q	17.3Q	17.4Q	18.1Q	18.2Q	18.3Q
DoubleDown Casino	\$0	\$19,976,653	\$60,561,204	\$59,164,623	\$62,990,736	\$64,568,670	\$65,325,208
DoubleDown Classic	\$0	\$0	\$73,994	\$450,006	\$425,341	\$416,789	\$579,524
Ellen Slots	\$0	\$0	\$1,183	\$680,474	\$1,473,119	\$1,487,885	\$1,168,513
DoubleDown Port Knox	\$0	\$0	\$0	\$0	\$0	\$0	\$97,535
DoubleU Casino	\$32,721,064	\$30,245,312	\$31,714,248	\$35,687,619	\$37,650,986	\$40,083,913	\$40,591,688
Take5	\$2,465,636	\$2,361,884	\$2,288,041	\$2,590,133	\$3,076,953	\$3,087,188	\$2,823,359
DoubleU Bingo	\$886,300	\$827,750	\$762,121	\$686,561	\$808,973	\$751,010	\$649,592
Other games	\$202,973	\$165,125	\$37,270	\$19,629	\$31,552	\$63,463	\$69,333
Total	\$36,275,973	\$53,576,724	\$95,438,061	\$99,279,044	\$106,457,660	\$110,458,918	\$111,304,752