

DoubleU Games

Social casino professional developer

2018 2nd Quarter Results





| Disclaimer

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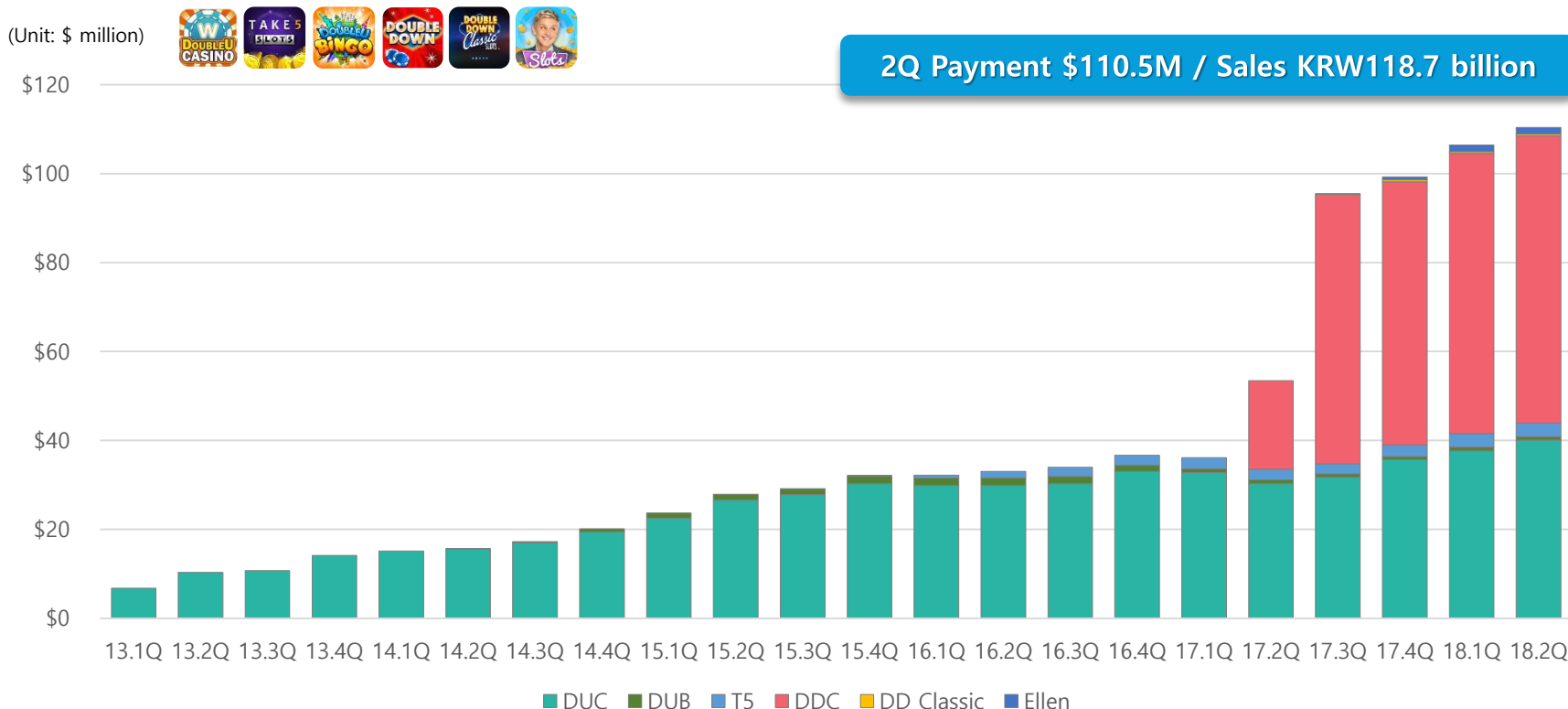
1. Highlight of 2nd Quarter



1) Quarterly total payment amount and sales trend

- 2Q 2018, the amount of payment **increased 106.2% Y/Y and 3.8% Q/Q to reached USD 110M** (vs total market Y/Y 19.1%, Q/Q 2.5%)
- Sales increased 96.5% Y/Y and 4.2% Q/Q to W118.7bn (reference: 2Q average exchange rate of KRW1,079 , Q/Q 0.58% increase)

Quarterly payments growth



1. Highlight of 2nd Quarter

2) Recent 4-week payment trend by major game – DoubleU Casino



- (Total) The 4-week payment continues to rise, reaching a high of 13M.
2Q payment amount Y/Y 32.5%, Q/Q 6.5% growth
- (By platform) Mobile payment portion exceeded 70% (70.9%).
Mobile payments grew Y/Y 44.5% and Q/Q 8.5%

Total recent 4-week payment trend



(Unit: thousand dollars)



Recent 4-week payment trend by platform



(Unit: thousand dollars)



1. Highlight of 2nd Quarter

3) Recent 4-week payment trend by major game - DoubleDown Casino

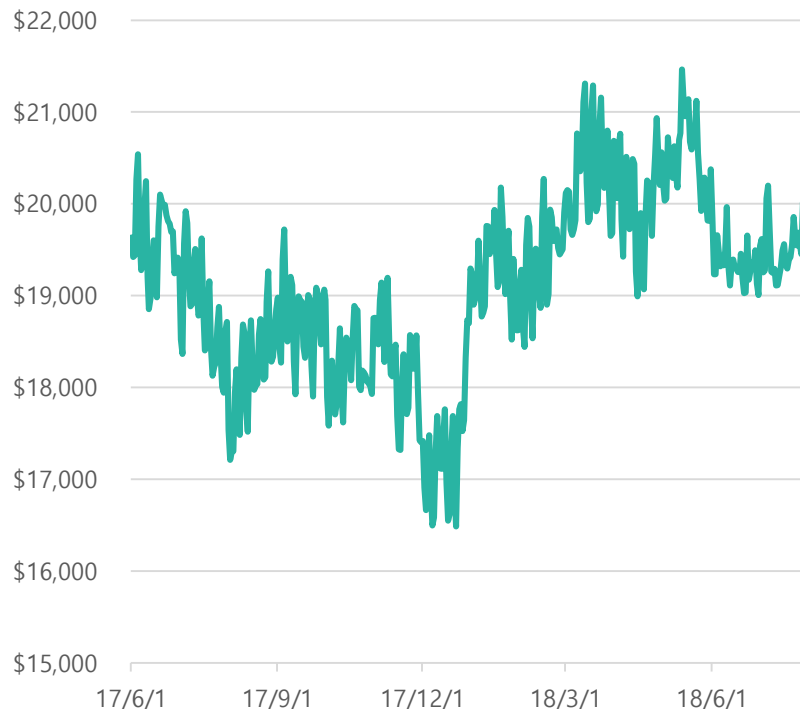


- (Total) Record high of 21.5M in 4-week payment. **2Q payment growth Y/Y 1.9%, Q/Q 2.5%**
- (By platform) Mobile payment portion increased about 62%.
Mobile payment growth Y/Y 3.6%, Q/Q 2.2%

Total recent 4-week payment trend



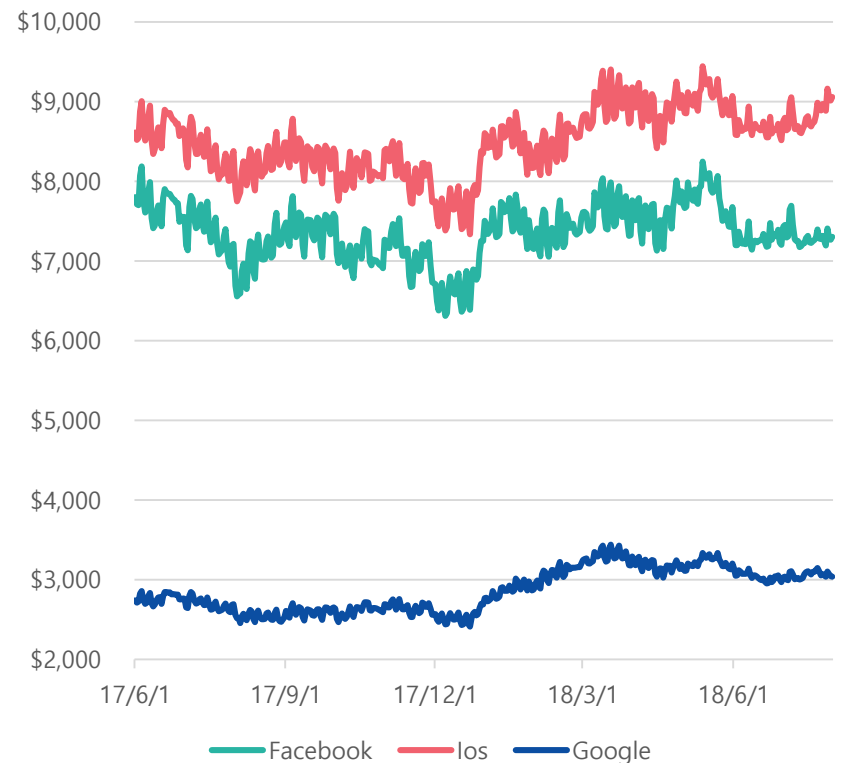
(Unit: thousand dollars)



Recent 4-week payment trend by platform



(Unit: thousand dollars)



4) DUG Separate financial statements

- **Operating revenue grew Y/Y 26% to W47.8bn. Operating income surged Y/Y 33% to W20.5bn**
(Operating income margin of 42.9%)
- Top-line high growth (up 4.9% from the market) and reduce marketing expenses to maximize operating income despite weak seasonality

DUG 18.2Q review (separate)

(Unit: million Won)

Type	18.2Q	%	18.1Q	17.2Q	Y-Y	Y/Y	Q-Q	Q/Q	Note
Operating Revenue	47,775	100.0%	44,479	37,806	9,969	26.4%	3,296	7.4%	
Operating cost	27,286	57.1%	30,199	22,368	4,918	22.0%	-2,913	-9.6%	
Platform fee	14,059	29.4%	13,478	11,342	2,717	24.0%	581	4.3%	
Marketing cost	6,739	14.1%	10,042	5,039	1,700	33.7%	-3,303	-32.9%	Marketing cost decreased
Labor cost	4,830	10.1%	4,691	2,599	2,231	85.8%	139	3.0%	
Other operating expenses	1,658	3.5%	1,988	3,388	-1,730	-51.1%	-330	-16.6%	
Operating income	20,489	42.9%	14,280	15,438	5,051	32.7%	6,209	43.5%	
EBITDA	20,696	43.3%	14,530	15,928	4,768	29.9%	6,166	42.4%	

5) DDI Separate financial statements

- Operating revenue grew Q/Q 3% to W71.7bn. EBITDA grew Q/Q 17% to W25.7bn (36% margin)
- Top-line high growth (+0.5% from the market) and reducing marketing expenses to maximize margins

DDI 18.2Q review (separate)

(Unit: million Won)

Type	18.2Q	%	18.1Q	17.2Q	Y-Y	Y/Y	Q-Q	Q/Q	Note
Operating revenue	71,689	100.0%	69,631	22,574	49,115	217.6%	2,058	3.0%	
Operating cost	53,992	75.3%	55,685	18,755	35,237	187.9%	-1,692	-3.0%	
Platform fee	21,328	29.8%	20,691	6,444	14,884	231.0%	637	3.1%	
Marketing cost	8,538	11.9%	9,938	3,774	4,764	126.2%	-1,401	-14.1%	Marketing cost decreased
Royalty	6,056	8.4%	5,345	1,881	4,175	222.0%	711	13.3%	
Amortization expense	7,997	11.2%	7,963	2,739	5,258	192.0%	34	0.4%	
Labor cost	5,738	8.0%	6,721	2,089	3,649	174.7%	-983	-14.6%	retirement compensation of 0.7Bn won in 1Q
Other operating expenses	4,336	6.0%	5,026	1,828	2,508	137.2%	-690	-13.7%	AWS cost -0.3Bn won, Out sourcing cost -0.7Bn won
Operating income	17,697	24.7%	13,947	3,820	13,877	363.3%	3,751	26.9%	
EBITDA	25,694	35.8%	21,910	6,559	19,135	291.7%	3,784	17.3%	

6) DUG Group's consolidated financial statements

- Consolidated 2Q operating revenue increased Y/Y 96.5%, Q/Q 4.2% to reached W118.7bn
(Limited effect of exchange rate increase)
- Based on DUG consolidated operating income of W34.6bn and EBITDA of W42.8bn (36% margin)

DUG 18.2Q review (consolidated)

(Unit: million Won)

Type	18.2Q	%	18.1Q	17.2Q	Y-Y	Y/Y	Q-Q	Q/Q	Note
Operating revenue	118,680	100.0%	113,925	60,384	58,296	96.5%	4,755	4.2%	2Q average exchange rate Q/Q 0.6% increase 3Q average exchange rate more than Q/Q 4%
Operating cost	84,190	70.9%	87,907	52,775	31,415	59.5%	-3,717	-4.2%	
Platform fee	35,376	29.8%	34,161	18,115	17,261	95.3%	1,215	3.6%	
Marketing cost	15,281	12.9%	19,976	8,813	6,468	73.4%	-4,695	-23.5%	Marketing cost decreased
Royalty	4,686	3.9%	5,343	1,881	2,805	149.1%	-657	-12.3%	Reduction of IGT royalty share
Amortization expense	8,168	6.9%	8,118	2,643	5,525	209.0%	50	0.6%	
Labor cost	13,115	11.1%	13,532	7,234	5,881	81.3%	-417	-3.1%	
Other operating expenses	7,564	6.4%	6,777	3,423	4,141	121.0%	787	11.6%	
M&A cost	0	0.0%	0	10,666	-10,666	-100.0%	-	-	
Operating income	34,490	29.1%	26,018	7,609	26,881	353.3%	8,472	32.6%	
EBITDA	42,702	36.0%	34,235	10,626	32,076	301.9%	8,467	24.7%	

1) DDC Renewal effect

- After the completion of DDC Renewal (June 25), **the average betting amount (7.6%) and ARPPU (5.1%) have risen as intended**
- Since July, **the top and bottom of the US total game rank (based on App Annie) are gradually increasing (overall eighth on July 20th)**

DDC 2.0 Renewal effect

1


1. VIP Room

- Goal: Increase average bet amount
- Increase ARPPU

2


2. Membership

- Goal: Increase Royalty
- Increase DAU

3


3. Personalized offer

- Goal: Increase payment during non-sale period
- Increase PUR

4


4. Jackpot happy hour

- Goal: Increase play time
- Increase average bet amount

Results

As of June 25, 2018:
comparative analysis of
previous 4 weeks, and
following 4 weeks

A. 7.6% rise in daily average betting amount

B. Daily average ARPPU increased by 5.1%

C. Users paying more than \$ 100 increased by 2.6% (PUR increased)

D. Daily average personalized offer payment percentage : 0% → 56.3% increased

E. Play days: 2.7% increased

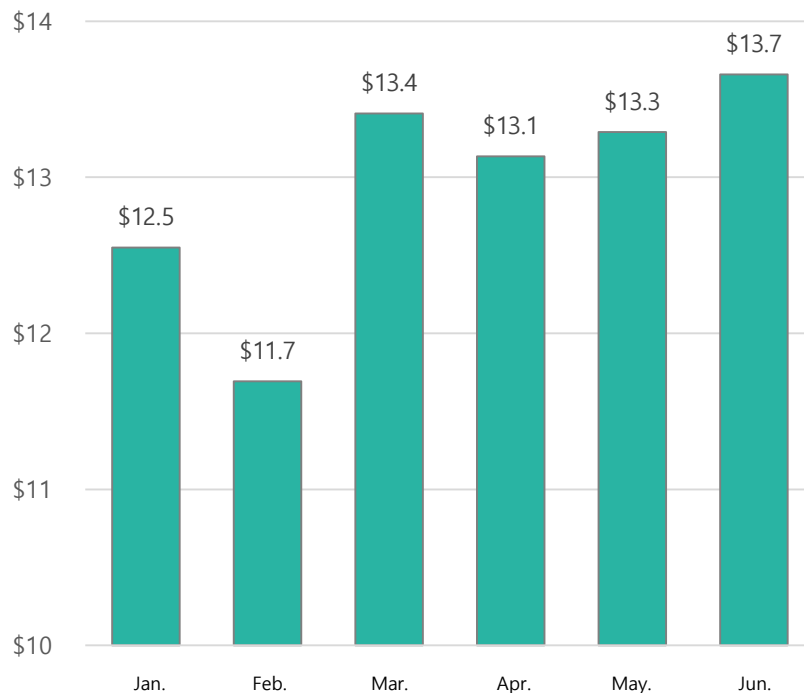


2) DUC Factors in growing payment

- In spite of the 2Q marketing reduction(Q/Q -33%) and off-peak season, the amount of DUC payment increased, **Q/Q 6.5%, Y/Y 32.5%**
- Key factors of DUC payment growth: **'periodic offer' promotion** for existing users and **'mobile conversion' expansion**

DUC 2Q DUC 2Q monthly sales

(Unit: \$ million)



1 Periodic Offer: Providing a Wheel Bonus for 7 consecutive days after payment

→ Achieved new payment of 1.8% of DUG's overall payment



2. Big Bang coupon: This product can be purchased only on mobile. 60% more chips than regular products

→ Mobile sales portion 1Q 69.6% → 2Q 70.9%

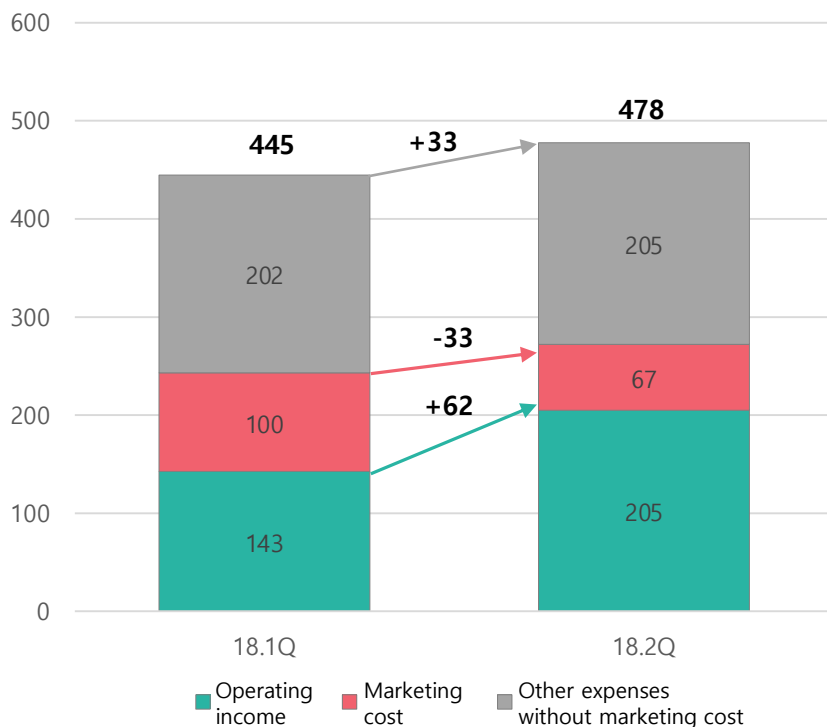


3) Maximizing operating income through marketing Efficiency

- **Operating leverage effect** from higher sales, **accelerating profits by reducing marketing expenses**
- Despite a drop in marketing expenses (DUG -33% and DDI -14%), sales increased (7.4% for DUG and 3.0% for DDI) due to payment by existing users

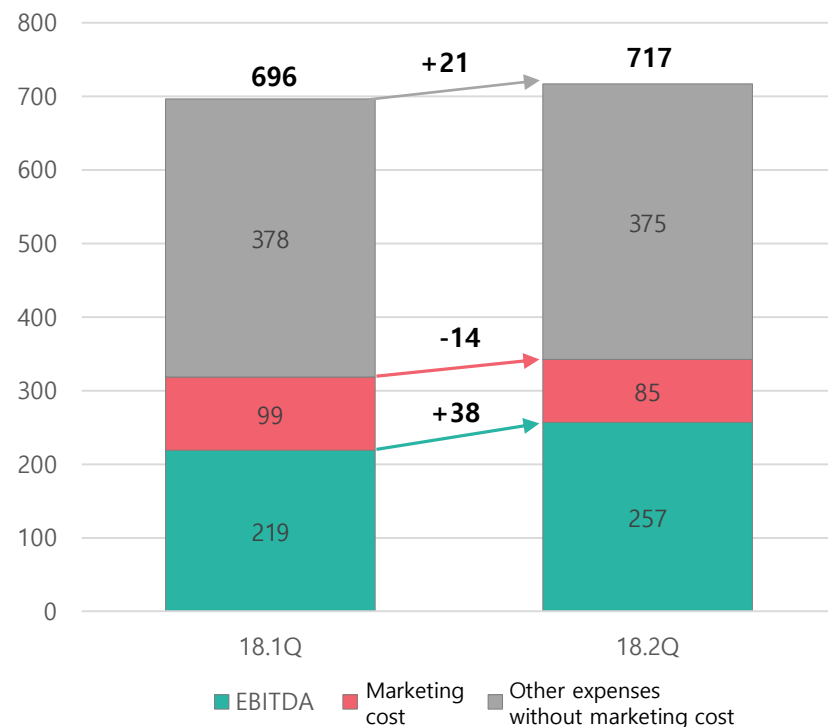
DUG 2Q marketing reduction effect

(Unit: 100 million won)



DDI 2Q marketing reduction effect

(Unit: 100 million won)



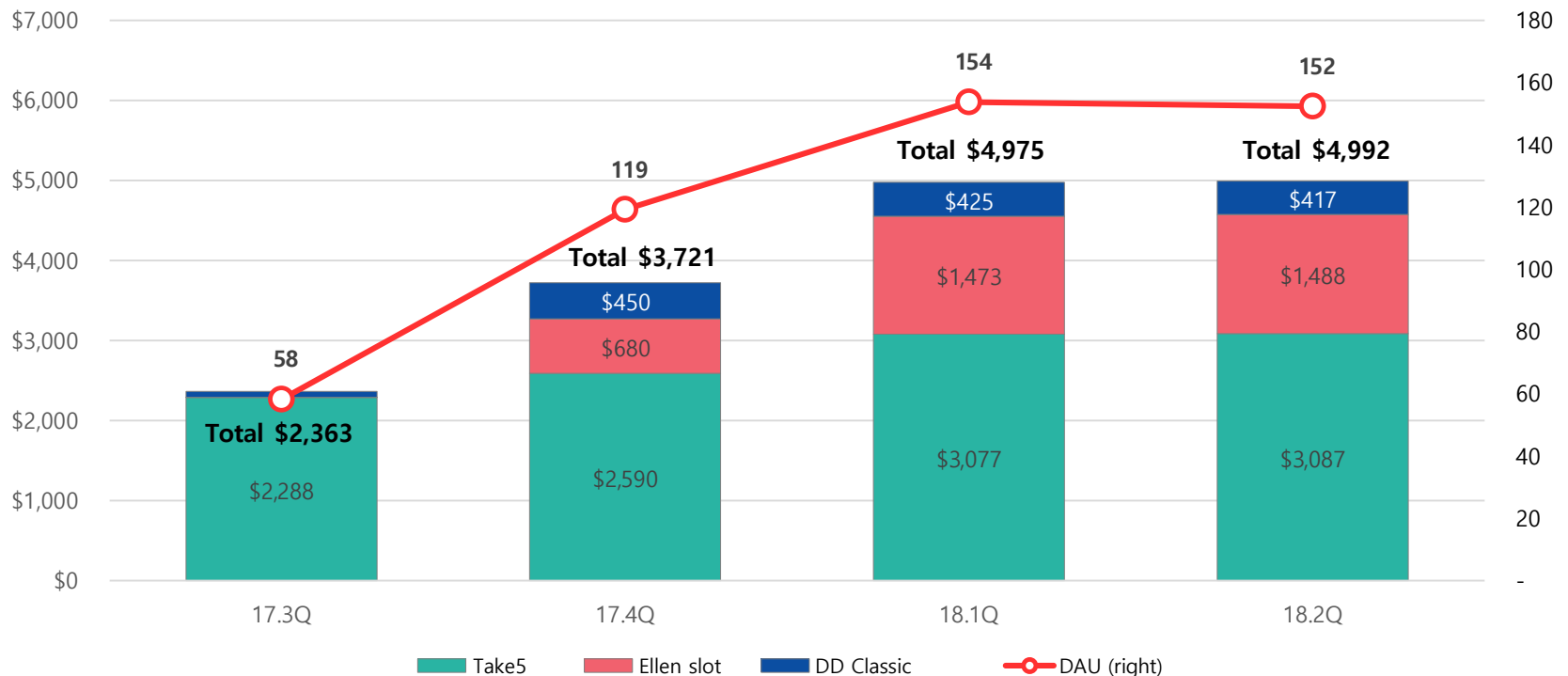
4) New game growth trend

- The amount of **payments for new games** (Take5, Ellen, DD Classic) **gradually increased to 5M in 2Q**
- Recorded 4.5% of DUG Group's total payment amount (5.3% for DoubleU Bingo combined)

New game sales and DAU increase trend in quarterly

(Unit: thousand dollars)

(Unit: thousand persons)



1) Planned to launch Ellen slot in DUC

- **New User LOCK-IN Strategy** by **expanding user acquisition** using Ellen IP Power and competitiveness of DUC
- September grand opening of Ellen Slot in DUC and marketing are scheduled. Synergy with Ellen App is expected in the future.

Launching new Ellen IP in DUC

Progress and launching plans

- **Planned to launch Ellen slot in DUC in September**
- **Background**
 - Maximize marketing effect using Ellen IP power
- **Expected effect**
 - Increase user traffic through influx of Ellen fan users
 - 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, it was the number one download (80,000) of all US games.



2) New lineup in the second half - DoubleDown Port Knox Slot

- DDC Advanced Version (3D Curved Real Casino) **DDC FK iOS completed global release on August 2nd**
- **Plan to launch Android version in October.** Global marketing plan including featuring in iOS, Android

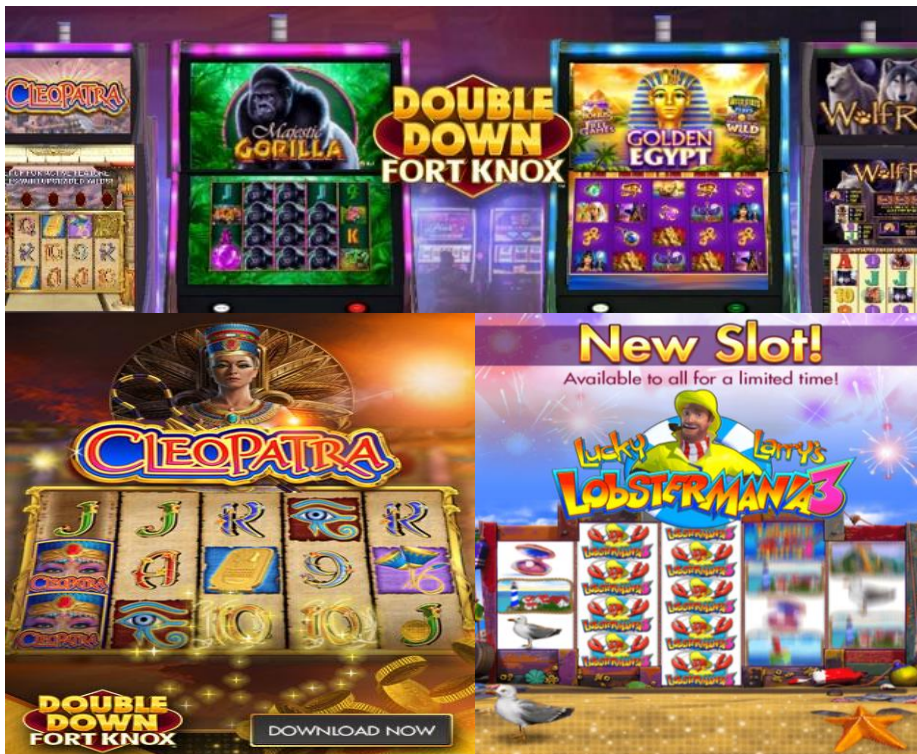
Doubledown Fort Knox

Progress and launching plans

- iOS Global Release (8/2)
 - 10 slots in total
- Plan to launch Android version in October
- 2nd half service operation plan
 - Negotiating platform featured marketing
 - New slot launching every two weeks

[Reference] Revenue of game of HD version of competitor (8/7 App Annie)

- Slotomania
 - iPad casino sales ranking HD ver. 8th, general ver. 9th
- Caesars slot
 - iPad casino sales ranking HD ver. 19th, general ver. 54th
- Bingo Bash
 - iPad casino sales ranking HD ver. 15th, general ver. 231th



3) New lineup in the second half - Double Fortune Slot (Asia)

- After the soft launch (testing) of DFC is completed in 2Q, **the Double Fortune Slot (DFS) will be officially launched in 3Q** (English version)
- Working on Taiwan build. **Marketing will begin in Taiwan with local partners in 4Q**

Strategy to enter the Asian social casino market

Progress and launching plans



- DFC Soft launching test completed
 - (Contents) 22 Slots have been launched
 - (Gaming index) retention continued upward trend
- DFS Schedule to be officially launched in September
 - (Target) Global users who like Asian style
 - Features: Progressive Jackpot, lucky box, etc.
 - Chinese style slot and meta graphic configuration

[Reference] China style social game sales ranking (App Annie, 8/7)
 - (FAFAFA) iPhone Social casino game sales ranking (Australia: 8th, USA: 52th)

- DFS 4Q soft launching scheduled of Taiwan build
 - (Localization) In collaboration with partners
 - (Marketing) Collaboration with local publishers

[Reference] Sales ranking of major social casino games in Taiwan (App Annie 8/7)

- (Xin Stars) 7th place in game sales
- (Bravo Casino) 5th place in game sales
- (Let's Vegas Slots) 14th in game sales

4) New lineup in the second half – **Undead Nation**

- Installed 100,000 Facebook game rooms in 2Q and achieved MAU of 3.3 million.
Plan to launch mobile soft launch in 3Q.
- After the mobile optimization and content advancement in the second half, we **plan to start marketing.**

Project Z : Undead Nation : Last Shelter



Progress and launching plans

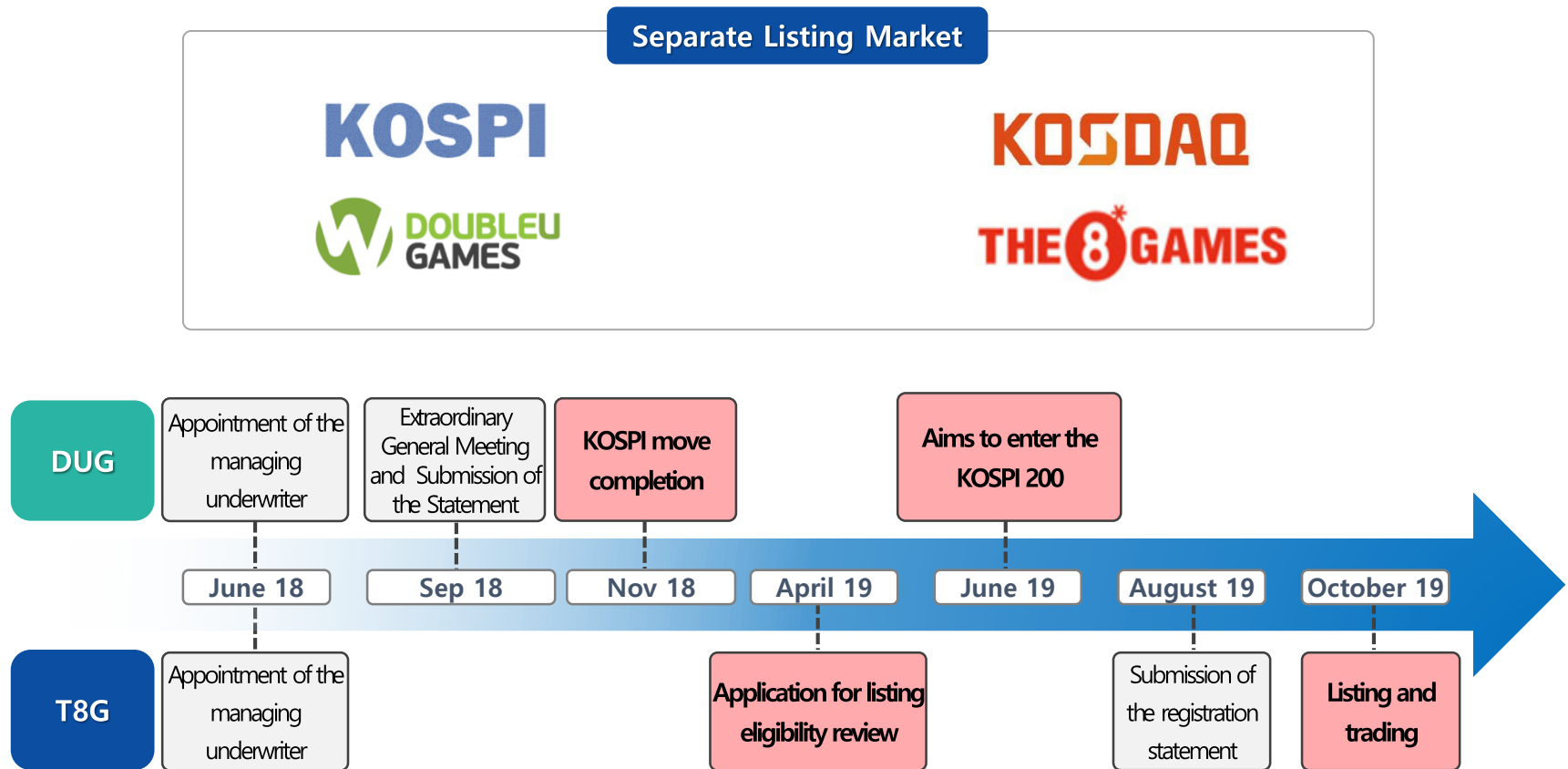
- Facebook Game Room Free Launching Service (Completed)
 - Worldwide service mainly in North America and Europe
 - New content development and BM advancement
- Featured marketing process (July 13 ~ 18)
 - 2Q average DAU 3,400 (Q/Q 118.8% increase)
- Mobile conversion development (launch plan in 3Q)
 - Mobile environment and content optimization progress
- Plan for the second half
 - Unifying server of PC and mobile
 - After confirming the mobile payment index, marketing will be started in earnest.

[Reference] Sales Ranking of Major Strategic Games in North America (App Annie, 8/7)

- (Clash Royale) 1st place of iPhone game
- (Clash of Clans) 4th place of iPhone game
- (Lords Mobile) 34th place of iPhone game

DUG schedule of KOSPI move and T8G KOSDAQ listing plan

- DUG plans to **move to KOSPI in 2018 (late Nov.)** and **aims to enter the KOSPI 200 (May 2019)**
- After DUG KOSPI move, **T8G KOSDAQ application for listing eligibility review (Apr. 2019)** and **listing (Oct. 2019)** are expected to be completed



Consolidated financial statements



18.2Q Consolidated Income Statement

(Unit: 100 million won)

Type	17 1Q	17 2Q	17 3Q	17 4Q	17 4Q TTM	18 1Q	18 2Q	18 2Q TTM	Note
Operating revenue	414	604	1,072	1,104	3,193	1,139	1,187	2,326	
Operating cost	246	528	796	814	2,383	879	842	1,721	
Platform fee	124	181	322	322	949	342	354	695	
Marketing cost	50	88	133	143	414	200	153	353	
Stock-based compensation	5	4	4	1	13	1	0	1	
Royalty	-	19	54	55	127	53	61	114	
Amortization expense	1	26	82	88	197	81	82	163	
Other expenses	66	103	202	205	576	202	192	395	
Temporary cost (M&A)	-	107	-	-	107	-	0	0	
Operating income	168	76	276	290	810	260	345	605	
EBITDA	174	106	361	379	1,020	342	426	768	
Non-operating income	15	67	38	(66)	55	11	132	143	
Interest income	12	14	10	2	30	1	1	3	
Foreign currency effect	3	53	29	(68)	25	10	131	141	
Non-operating Cost	60	89	93	239	482	97	71	168	
Interest cost	-	97	90	84	263	78	79	157	
Foreign currency effect	59	(7)	2	153	207	17	(9)	8	
Other expenses	1	(1)	1	2	11	2	1	2	
Equity-method loss & others	-	-	-	-	-	-	-	-	
Profit before tax	123	54	221	(15)	383	175	406	580	
Taxes	8	(8)	75	(47)	27	37	69	106	
Net income	114	62	148	32	356	138	336	474	
Ownership of parent company	111	62	148	32	353	138	336	474	
Non-controlling interest	3	-	-	-	3	-	-	-	
Operating income %	40.5%	12.6%	25.8%	26.3%	25.4%	22.8%	29.1%	26.0%	
EBITDA %	42.0%	17.5%	33.7%	34.3%	35.3%	30.1%	35.9%	33.0%	

(Note) Consolidated subsidiaries: DoubleDragon Games (100%), The8Games (100%)

Payments by game



Payments by game

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