

---

## [Transcript of the investor's conference regarding financial results for 2022](#)

### **Krzysztof Kwiatek:**

Ladies and gentlemen, welcome to Creepy Jar's performance conference call for 2022. Representing the company will be Grzegorz Piekart, who was appointed member of the company's Executive Board on 1 January this year. As well as Krzysztof Kwiatek - CEO. Our meeting today will consist of three parts: first, Grzegorz will present and summarise the 2022 financial results. Then I'll tell you about our ongoing projects in development. And lastly, we'll have a Q&A session. And with that, I'll hand over the stage to Grzegorz.

### **Grzegorz Piekart:**

Hello everybody. I'll start by telling you a little bit about what we achieved in the development and publishing segment last year. Most notably we released three expansions on PC, i.e., 'Spirits of Amazonia', 'Animal Husbandry' and development-wise, we were able to finish the 'Building Update', which was released in 2023, but the majority of its development was finalised in 2022. We also released the full 'Spirits of Amazonia' set on console, on the Xbox ONE and PlayStation4, which means we succeeded in delivering every element of the roadmap we had planned for last year. And we're very happy with that. As far as content and DLCs released, are concerned it was a record year for us. And of course, we're continuing the development of 'Chimera'. Thanks to the aforementioned efforts, this year has also been a record year for us financially. Most notably, 54.9 million zloty in sales, which is 19% more than in 2021. Net profit is also at a record high - 36.5 million zloty, which is 25% more than in 2021. We ended the year with 86 million zloty in short-term financial assets, i.e., 26 million zloty more than it was at the beginning of 2022. We spent around 7 million zloty on game development, i.e., on 'Chimera' and on the development of Green Hell. We also grew in non-financial ways, as we've expanded our team to over 50 people, which is 25% more than we had at the end of 2021. We've completed the recruitment of our core team, which handles everything we've currently got planned and in development. But of course, we are constantly expanding the team to improve certain elements and maybe add a little more quality to what we do and what we make. As I already mentioned, our record-high results were the result of great sales, which we're very happy about. Last year we sold 1.28 million copies gross on the three platforms for which we have the publishing rights, namely PC, Xbox and PlayStation. What is interesting and encouraging for us, is that it's more than in 2021. This means that our strategy of adding DLCs and nurturing the community, means we're able to sell similar quantities on these key platforms. We are fighting the life cycle of this product very effectively without dropping the price. Because it's kind of an important piece in this puzzle, the discounts don't drop below 30%, which we're very happy about. Last year we succeeded in completing all of our activities in that manner.

Now, going onto the more detailed financial results, as I've said, there's an increase in revenue. Compared to 2020, it's a 46% increase, which confirms what I just said. These graphs quite clearly show the success of the product development strategy, which we chose to follow. Releasing games onto new platforms and adding new content to them has meant that we were able to increase our revenue last year. A very important part of our release to new platforms was adding a VR version of Green Hell which was adapted by Incuvo S.A. It was a great success and played a large role in the revenue and results. The revenue structure for last year is as follows: 47% revenue from PC sales, 33% on the two main console platforms and 20% miscellaneous revenue, the bulk of which is obviously VR and Nintendo Switch. As for the costs, we are also very satisfied with the turnaround despite the macro, which was not favourable last year, i.e., record inflation levels, in Poland and other countries. We managed to maintain cost discipline, so EBIT grew at a similar rate to revenue. In short, at the operating profitability level or EBITDA profitability, we achieved similar levels to the previous year despite these increases on the cost side. We even managed to get a slightly better net profitability result. Here, the macro change in interest rates also contributed to a large extent, i.e., we are making additional revenue and profits related to our cash holdings. As far as the balance sheet is concerned, there isn't really anything special happening here, of course, we are continually capitalising on the expenditure associated with 'Chimera', so we have an increase in fixed assets. We are generating cash and therefore have an increase in short-term investments in current assets. In terms of the liability structure itself, liabilities are at the same level as they were at the end of 2021. Capital has grown along with our profits. For the first time ever the balance sheet total exceeded 100 million zloty, which is also a bit of an accounting milestone showing that our company and what we are delivering is working. In terms of cash flow alone, we generated 45 million zloty from operations. This is predominantly net profit, in terms of the main adjustments reported, these are primarily non-cash costs related to our incentive programme. In investment activities, there was definitely more activity than in the previous year. Due to the rising rates, we were looking for a way to invest the surpluses we have generated optimally, so we came up with bonds, with medium-term deposits. That is, short-term because it was less than a year, but more than three months, which



---

meant that we also had to declare them in our investing activities. As far as financial activities are concerned, there was something new here too, because last year we paid dividends for the first time. And that's pretty much it as far as the financial results are concerned, Krzysztof will also talk about the rest.

**Krzysztof Kwiatek:**

Okay, then let's start with 'Green Hell', as we've mentioned a few times, in 2022 we changed our approach to the updates we produce a little bit. We emphasized developing the gameplay mechanics and the survival mechanics that engage players the most. We moved away from updates that develop the storyline. This was primarily because we surveyed our players, and it turns out that more than 70% of players mainly spend their time in survival mode. The storyline is still important, but only for about 25% of players which is why we have shifted our focus a little with these updates to the survival mechanics. It is also cheaper for us, it's quicker to do and is less involving than the storyline. That's how we created 'Animal Husbandry' and the 'Building Update', and we want to continue that in the coming year and in the near future. Here you can see the roadmap that we have prepared for ourselves for the near future, which chronologically shows what we are planning to do. We'd like the first update that's going to come out to be 'Storage and Transportation', where we'd like to expand on the mechanics that are already in place, which are specifically related to survival and to storing the resources that we gather, as well as with transporting these objects, which in a larger scale build might have been more difficult at this stage. Also, regarding this update, we would like to add a couple of cool features, such as a survival sledge to haul heavy objects in larger quantities. We'd like to add something like a freight lift, of course in the survival style, so that the player can also pull up various heavy objects that they've previously had to individually carry to higher levels of structures they've built. And there will also be a special set of furniture and structures for storing small objects. Next up will be the 'Combat Update', and here we would like to improve a little bit, or even a lot how the human AI opponents behave in our game. We'd like them to be smarter, we'd like their behaviour and reactions when meeting the player to be more natural. We would like them to be able to climb up barricades and structures, meaning they will also be more dangerous. There's no denying the fact that we're also looking at different games, we're looking at how it works in 'The Forest' for example, because we know that the focus on fighting with the opponent has always been very important there. In our case, it developed over time, whereas the game itself has developed so much that we have most of the areas very refined and developed. So, we're going to be looking at an update for the enemies themselves and the AI. We would also like to add another update, which will be called 'New Animals' and just as the name suggests we will add some new animals and the possibility to breed them. That's it as far as Steam and PC is concerned. On consoles, we want to release the updates that we did last year which are 'Animal Husbandry' and 'Building Update' onto the old console generations. 'Animal Husbandry' is already on its way, it will be released on 24 April, and we are also starting work on the 'Building Update'. So that would generally be it as far as 'Green Hell' is concerned, and now we can move on to 'Chimera'. There are three topics I would like to touch on. First, the team: as Grzegorz mentioned we've managed to create a core team that has the competencies to work on 'Chimera' and to bring us Early Access. And we feel confident with these people now. This is important because we now have a team, which just like with Green Hell, can develop the game and create a new IP, and these projects don't clash with each other. They don't get in each other's way, which is very important for us, because at one point the limited number of people meant that sometimes some of these projects could interfere with each other. Of course, we are always looking for new people, and there are always ads available, but in this line of business we are constantly putting out new hiring ads because even if we have a complete team, we still keep on probing the market. After all, you never know when a great person or a great specialist will appear on the market, and we can always hire such a person. Even with future projects in mind. In the meantime, we are also thinking about which elements of 'Chimera' we could outsource. Now it's time to talk about development. For the past year, we have been working on milestones, on a build which we called alpha, and we managed to create this build in late 2022 and early 2023. This build means a lot for us, because, looking back at our progress from last year, we're able to set goals when it comes to the Early Access release. We would like to aim for next year, but certainly not the first half of the year. We are also going to plan our work and think about the scope to make it possible. With this build, the teams can also plan their work internally, because there are several teams working on 'Chimera' alongside one another. One is responsible for the code, one for the environment, for the design, and the sets. All things with which we will fill the world. Based on last year's experience and looking at what we achieved at the end of it, each team can plan this work fairly precisely for Early Access. There is another important thing, which is that we, seeing these deliverables in 'Chimera' so far, can assign priorities to all of our tasks, which is very important for us, because it sometimes takes months of work on a given asset to be able to estimate the cost of implementing its mechanics. So, keeping Early Access in mind it's important because we're able to move less important tasks



---

further down the line. We can think about how much these big features will cost us and in what form they should appear in Early Access. Our model that uses Early Access also means that we don't have to release all these mechanics or features into the game in a finished state. We can just tease them or show them to the players to a limited degree. Show them that there will be something cool in the game we're working on it. Going into a little bit of detail, our teams with ENVIRO are basically finalising the generator for the world of 'Chimera'. We have a much bigger world than in 'Green Hell', so we wouldn't be able to build it by hand, so for over a year we've been working on a generator, which is already up and running and has started to produce the first results. We will now be able to create the world in our game semi-procedurally, meaning that we will be able to fill in some large parts of our world, but completely under our control, the way we want. In addition, work is underway on the assets that will make up that entire world. When it comes to design, the most important task now is to get the balance right, the proportions between the main features of 'Chimera'. At this point, we are weighing this balance between building, which is the main feature of our game, and combat, which we are also thinking about more and more seriously as an important part of 'Chimera' that will add variety to the gameplay. It comes down to the fact that if we want to add more combat then we will have to simplify the building in some way. If there is less combat, as it is in 'Satisfactory', then the building up has to be complex and involving on different levels, so it's these ratios that we're working with now. Now moving onto the last part, which is the marketing of 'Chimera'. We've got the key art, we've got the teaser, we're working on the website, and the plan is that in the second quarter of this year, we want to launch the marketing campaign with all these materials and 'Chimera'. We don't want to give away any more details about it here i.e., the place or the time, because we want it to be a surprise. And that's it for Green Hell and Chimera. We're now ready for your questions.

#### **Q&A**

##### **Q:**

*With the changes in the price of the game 'Green Hell' in selected currencies made in early 2023 on the Steam platform, is the company recording a higher average revenue per unit? Could this have a noticeable impact on the company's revenue?*

##### **Grzegorz:**

Yes, due to the change in currency conversion rates, the average prices expressed either in dollars or in zloty today are higher than they have been historically. But to answer the question - it can have an impact, but I think it is far too early to say whether it will.

##### **Q:**

*Are you satisfied with the current sales of 'Green Hell' in Q2 2023, where might the recent drop in 'Green Hell' in the Top Sellers ranking on Steam be coming from? Could this be the result of the end of the game's advertisement from the first half of March?*

##### **Grzegorz:**

It is obvious that indeed at this point 'Green Hell' is lower in the Top Sellers than it has been for the last few quarters or even longer. And we are indeed seeing some effect, but quite frankly, we do not know the cause of what is happening there at the moment. We are looking for answers, we are looking for them both ourselves and we are also talking to Steam and analysing the situation. For the time being, we don't want to make any drastic moves because, as you know, there is probably always the matter of dropping the price somewhere down the road. That's not what we're doing at the moment, we're currently looking at ways of increasing the visibility of 'Green Hell' on Steam in the near future. In the very near future, we should be visible on the Steam Home Page as part of a promo, which we assume should translate into sales. But we are keeping an eye on the situation and, as I said, we do not want to make any drastic moves at the moment.

##### **Q:**

*Can we ask you to comment on the wage pressures currently being seen, should we expect a significant increase in wage costs from Q1 2023?*

##### **Grzegorz:**

The situation hasn't changed, the pressure in our industry, especially when it comes to the better and more experienced professionals, is very high. It has always been present and still is. We assume that we manage to



---

keep the cost in check as a rule, I would say the cost increase is more derived from the growth of our team because last year the team grew by 25%, i.e., more than 10 people. So that is probably what has had a little more impact on what happened to our costs rather than the increase itself, but of course, pay rises as such is an ongoing topic. We are trying to keep an eye on it as much as possible, of course, the market is unforgiving, if it continues to behave the way it has been, i.e., these pay rises throughout the entire industry, then we will probably not be spared, but I do not expect it to be a significant cost increase from this point of view.

**Q:**

*What employment levels would you like to achieve by the end of this year? How many people are currently working on 'Chimera' and how many are supporting 'Green Hell'?*

**Krzysztof:**

We generally do not plan to have any given number of people by the end of the year. We are growing organically because we are building a core team. We have managed to build it, so it seems to me that the biggest recruitment job is over but, we are still able and want to pick out some people or specialists from the industry. As far as the division between the two projects is concerned, about 5 people are working on Green Hell, not counting of course the testing team, which we move between Green Hell and Chimera as required, and about 30 people are working on 'Chimera'.

**Grzegorz:**

There is also another point to be made here, that the growth of the team, unfortunately, cannot be done in such a way that only the development team grows and not the administration in the broad sense or the back office and so on. As part of the growth that we have, these two things go hand in hand, one is a derivative of the other, and as part of that growth we also have people who are not strictly development based, but that's how it works, unfortunately.

**Krzysztof:**

But whether it's HR or marketing then these are the departments we're developing in relation to what we had a year ago, to produce marketing content more efficiently, so that there will be more of it once we're up and running with 'Chimera' and as Grzegorz mentioned the back office is also needed.

**Q:**

*How is the company able to use artificial intelligence in its operations?*

**Grzegorz:**

In general, I don't think we have any of those kinds of elements in development today. In the sense that we're not talking about the AI that we have in games, but I understand that we are talking about chatbots, generators and the like, which are so popular today. At this point, it's not something that affects development...

**Krzysztof:**

We are not currently engaging in such things, whereas when it comes to the AI itself as it is in games, we have always worked on it. Both on the behaviour of the AI and on the behaviour of the entire world. In the same way that we create automated tests that help us, those automations are in a sense artificial intelligence, which checks the performance of our game. So, when we say AI, we generally mean something other than the chatbot version.

**Q:**

*When do you intend to present the premises of a potential new incentive programme?*

**Grzegorz:**

So yes, something that we also reported yesterday, we are de facto moving towards the completion and settlement of this previous incentive programme, and as we have also previously communicated, we want to introduce a new incentive programme. We see their advantages, particularly in our industry given that many of our competitors seem to have such programmes. We know that this tool is very effective when it is well structured. It is effective at motivating people, improving retention and the way people act. In principle I can confirm that we would like to introduce such a programme, in terms of timing we hope to be able to present it



---

at the next Annual Shareholders' Meeting. If we get everything right, then that is the date when these premises will be presented.

**Q:**

*What conclusions have you drawn from the recent premiere of 'Sons of the Forest', can the success of that release provide some inspiration in which direction to develop the 'Green Hell' IP?*

**Krzysztof:**

Well, certainly the success of 'Sons of the Forest' shows us... well, it can be interpreted in many different ways. It shows what potential there is in the genre. It shows how a well-sold IP can be further exploited by developing further parts, so it is certainly a very positive signal for us in terms of the direction of development of the Green Hell IP. Well, I would interpret this for the second part, because what we are developing in the first part is already planned out and restricted because a lot of things in this game already exist, work, are at a high level and probably will not be at a higher level. As far as the 'Green Hell 2' is concerned, then we already have an idea for it too. But is it inspired by 'Sons of the Forest'? Not really, everyone develops their IP in their own way, and I guess the most important thing is, that players get something familiar to them. And this can be seen with 'Sons of the Forest'. That the players and the fans expect something similar. Something that develops the theme but is not completely something that just uses the name and otherwise has nothing to do with the first part. We knew that, but premieres like this confirm for us that 'Green Hell 2' must be something for fans of 'Green Hell 1'.

**Q:**

*Does the updated budget for 'Chimera' in the report (17 million zloty) refer to Early Access or the target release?*

**Grzegorz:**

At this point, this is the estimated budget for Early Access. That's the milestone we're looking at, what the costs will ultimately be for the launch or the development of 'Chimera' in general is unquantifiable as of today. We only estimate what we can see, we are not looking any further at the moment.

**Krzysztof:**

Also, there is no such thing as a target release for 'Chimera' just as time has shown that there was no target release for 'Green Hell'. Early Access will be the start of our 'Chimera' adventure as a new IP and it will be developed and budgeted for in the future, as long as we wish it to last.

**Q:**

*Can we have a rough idea of what elements of 'Chimera' are likely to be outsourced?*

**Krzysztof:**

We usually outsource graphic assets because graphic creation is often very resource-intensive and we don't want to create a large in-house graphic department, only to find out later that there is an interruption in the production of the target assets and 10 people are sitting around with nothing to do while costs are generated as usual. Graphics work is also more episodic than coding because coding goes from start to finish, but when it comes to graphics, very simple prototypes are created first, so a large team of super-specialised graphic designers is not needed. Then comes the actual production phase where there are in turn a lot of graphics people needed, but at a certain point, this stops. The coding, testing, and tweaking of various things can go on sometimes for months, and the graphics can already be almost finished, so if we are looking to have some parts of the graphics outsourced as we did with 'Green Hell'.

**Q:**

How much are the development and marketing costs of 'Chimera' currently estimated to be?

**Grzegorz:**

As we said the development up to Early Access it's 17 million zloty in total, which is what has already been incurred. We don't have a fixed marketing budget, at the moment we estimate it will be a few million zloty, but what that means exactly remains to be seen. In principle, we will be repeating a bit of what we did when 'Green Hell' debuted. Only probably a bit better and a bit more broadly because we also have more resources. But it's



---

not like we're planning any extraordinary or very extensive marketing activities here. Even looking at the biggest launches in our sector, 'Sons of the Forest' was not a game that needed a lot of marketing. Of course, it is a sequel and there are various things associated with it, but nevertheless, in this segment, extensive marketing is out of the question because it just isn't worth it.

**Krzysztof:**

Yes, 'Green Hell' showed that there are different ways of marketing, and it can be extensive, but we can do it ourselves. Making films and content ourselves seems to us to be a more sensible way of reaching players, at least in our segment.

**Q:**

*In your opinion, is the risk of 'Chimera' not being released until 2025 relevant today?*

**Krzysztof:**

Well, it's hard to answer that question, because I don't know if I would call it a risk. First and foremost because just as 'Green Hell' did, we want 'Chimera', to reach players in Early Access in such a form that will allow its IP to come to life, sell well, and sell the fantasy of playing 'Chimera' to players to encourage more players and encourage influencers who will promote it as a cool game. For us, the only risk that we always consider, with every project, is the coolness and the playability of the title, not the timing of when it will be released. However, as I mentioned earlier, at the moment we would like Early Access to come out next year and all our efforts will be directed towards that goal. We also have a great deal of flexibility here because it is Early Access, so we are the ones who weigh up which things we need to refine and which things we can take out of Early Access even though we originally wanted them, but we can always postpone them to later stages of the product's development. That's all the questions, so thank you very much and join us for today's individual investor chat.

**Grzegorz:**

Thank you very much.

**Krzysztof:**

Thank you.