
[Transcript of the investor's conference regarding financial results for Q1 2023](#)

Grzegorz Piekart:

Hello, everybody. Welcome to Creepy Jar's performance conference call following Q1 2023. My name is Grzegorz Piekart, I am a member of the company's board of directors. During today's meeting, we would like to tell you what about happened in the last quarter, what we did, and how that translates to our financial results, what we're doing development-wise, and at the end, we'll obviously have a Q&A session. When it comes to development, we'll try to keep it quick since just last month we had our annual conference call during which we covered development quite extensively. Today, we'd like to focus on the Q&A session more so feel free to write your questions into chat.

As far as development goes, Creepy Jar's main focus during Q1 was releasing the Building Update to PC, which we did at the end of January 2023. With it, we completed the previous roadmap. It was the last part of finalising everything we had planned for the previous roadmap. We are very pleased with what we've managed to do. The playerbase received the update very well which translated into good sales, which we'll show presently. This expansion met our expectations for it. During Q1 we were also working intensively on developing the console version. We released Animal Husbandry onto PS4 and Xbox One on 24 April, just after Q1 ended. As per our previous statements, most of our development team is currently focused on developing Chimera. In that respect, we are also running on schedule. In short, here are the most important numbers from Q1: We made 12 million zloty in sales revenue, which is 9% more than in the corresponding quarter of last year. In terms of EBITDA, it increased to 9 million from 6.9 million in the first quarter of 2022. Net profit increased by 44% compared to the corresponding quarter of last year. In terms of financial resources, we reached 95.1 million, compared to 86 million at the end of last year. We spent 2 million zloty on game development in Q1. As for the team, at the end of Q1, it consisted of 51 people. Since then, a few more people have joined us, but as we've been saying, we think our team is more than capable of meeting all of our development goals. In terms of sales in units: in Q1 we sold 278 thousand copies gross on the three main platforms, of which 200 thousand on PC and 78 thousand on consoles. We're making big strides towards our next milestone which is 4.5 million copies sold on our three main platforms. Our financial results are as follows: as I said, sales revenue in Q1 amounted to 12 million zloty which is marginally more than in the previous quarter and 9% more than in Q1 of last year. We are pleased that despite the aging product we're able to maintain revenue at such a high level. Of course, we owe part of that success to the Building Update which was released at the beginning of Q1. Green Hell's sales following the release of the expansion contributed significantly to the results in Q1. We've also had strong sales on consoles including 3rd party publishers i.e., on Switch and VR. These three venues of revenue have stabilised at a very nice level. I have already talked about revenue, let's look at the costs side. Looking year-on-year, costs have fallen from 4.2 million to 3.3 million zloty. This is mainly due to the fact that this year we don't have an incentive programme yet, so we haven't had any costs related to it. Accounting for that figure, the year-on-year increase in costs was around 27%. Whereas, looking quarter-on-quarter, we were able to maintain a stable cost level compared to Q4 in 2022. And since we have lower costs, profitability at all levels of the business has increased significantly. Additionally, the financial income, which we did not have last year, also adds to the 44% increase in net profit totalling 9.3 million. With a 100% increase in all our financial assets, we are able to generate income in this area as well. As I said, at all levels of profitability the earnings are higher thanks to this, be it developmental, EBITDA or net profit. Each of these margins increased by several percentage points. As far as the structure of the balance sheet is concerned nothing much has happened here. Our fixed assets are growing as we continue to work on Chimera. The single largest item that is growing is, of course, the long-term interim charges, where we're capitalising the expenditure on the production of Chimera. In Q1, they were worth 1.5 million zloty. Our current assets are also growing, where the main item is the broadly defined short-term investment, i.e., hard cash as well as bank deposits. As far as liabilities are concerned, they have also increased, but they are primarily derived from the calculation of public-law liabilities, i.e., tax liabilities. Having such high scores means that the tax burden is also higher. In terms of the structure of liabilities, it is still at a very safe level. We continually maintain equity levels above 90% of total assets. As in the previous periods, the business we are running is generating significant and stable cash flows, which is also very important from our perspective. The cash flow from operational activities corresponds to the net profit. Of course, the adjustments that appear there include the interest that is transferred to other financial activities; the change in current liabilities and the change in settlements, where a deferred tax asset is present. In terms of investments, i.e., tangible and non-tangible investments, it came to 1.7 million zloty, of which, as I said, 1.5 million zloty was for the production of Chimera. Since we made deposits with a period of more than three months, these also appear as investment activities as well. The 8 million zloty were deposits made in the



first quarter, but they are short-term in nature. And due to the fact that they are over three months, this is how we have to declare them. That's pretty much it because nothing more is happening on the financial side. We're seeing some interest on our leasing obligations. The next major event, the highlight of the first quarter, or of the last period, is the board's dividend recommendation. As we said at the annual conference, due to the record results last year, we decided to recommend a record-high dividend at the shareholders' meeting as well. Which is 28 million zloty out of last year's 36-million-zloty profit. We propose 29 August as the dividend date. Payday would then be 4 September this year. This recommendation has also been favourably received by the board of supervisors, and we are now awaiting the decision of the shareholders' meeting. That would be it as far as financial issues are concerned.

I'll now talk a bit about our development progress. Where we're at, what we're doing and what we're planning for the near future. We've released the next roadmap for Green Hell, and we've already completed its first bullet point i.e., releasing Animal Husbandry onto console in April. As of now, we're working on the next expansion for the consoles. Our timetable has already been set. We think we're going to be able to release that expansion in line with the roadmap. As far as the PC version is concerned, we're also finalising our work on one of the first expansions, which is Storage & Transportation. The next ones are being slowly planned out and organised. As for Storage & Transportation, we are considering if, as we did with the Building Update, we should do some form of public testing for players so that we can gather some additional feedback before we publish this addition. It's very possible that that is what we'll do. Now for Chimera, which is what you're probably most interested in. Development work is going as we expected. As we recently said, currently a lot of our planning work revolves around agreeing the details of the scope for Early Access. As we've said, we want to release Early Access next year and we're going to do everything we can to make sure that happens. As promised, during this quarter, in fact very soon indeed, we will publish the first marketing materials for Chimera and hope to launch the marketing campaign on a very strong note. We only ask that you have a bit more patience. That would be all for now, it's time for the Q&A session. First question:

Q: Has the company found the cause for the decline in GH sales on Steam and has it drawn any conclusions? What measures does the company intend to take to improve this situation?

Grzegorz Piekart: In all honesty, we did not find any one factor which we could say was the biggest cause. We are still looking; at the moment we are more successful at ruling out various causes than in finding the cause of what has happened. We have always expected that there would have to be a turning point. With a great deal of certainty, the turning point of Steam sales is behind us, i.e., the peak of those sales is behind us. Now, the big question is to what extent the measures, that we have been taking for a long time, are able to stop the decline. We are largely focused on increasing the visibility of the game on Steam. In April/May as part of a special offer, we were able to secure visibility on the front page of Steam. That activity definitely increased visibility, and certainly had some impact on sales. However, at the moment we do not see the possibility of a complete return to Green Hell's sales at its previous level, but we are looking for further ways to improve its visibility. We will be introducing a few more measures in the near future, with which we hope to surprise you positively. We hope that we can slow the decline down at least a little, or even partially reverse it.

Q: By how much percent could the average margin per unit of Green Hell sold on PC have increased after the recent price changes on Steam?

Grzegorz Piekart: That is a very detailed question. Such data is generally covered by our trade secrets. And in all honesty, we would not want to share that data. We'll provide you with the gross sales figures as part of our quarterly reports, so I think you'll be able to calculate it for yourself on the basis of those figures. However, the assumption is that we won't share that type of data outright. I would also point out one more issue: as part of the search for the cause of what happened on Steam, we changed the prices and then reversed those changes, at least temporarily. I'm pointing that out so that when you analyse the results, you factor it into your calculations so that the calculations don't deviate too much.

Q: When do you plan to release the new expansion to Green Hell?



Grzegorz Piekart: The release date for the Storage & Transportation expansion has not yet been set. We've got something in mind. We're entering summer now, where Steam does one of its two biggest sales. It would not be beneficial for us to pit our new content against such a big sale. We're still deciding. It'll be soon, but it's still too soon to announce a specific date. We will, of course, announce it with some small notice.

Q: The new incentive programme's target of 90 million gross, of which 10 million or 11% was realised in Q1 does not look particularly ambitious. Even assuming a sizable regression in Green Hell sales, you still have the Game Pass up your sleeve and the release of Chimera in late 2024/early 2025. Perhaps it would be worth dividing the goals of the tranche into several thresholds and making the number of shares allocated dependent on their achievement?

Grzegorz Piekart: Our perception of this incentive programme is a little different. We probably have a discrepancy here on many levels. Starting from this, Q1 is indeed behind us, and it looks very good. On the other hand, you can see the results, and do your own calculations. The question is: what do you consider to be a sizable regression? Going forward, we have said many times that Game Pass-type solutions do not interest us. Given our sales model, in principle, we assume that we would like to sell the game in a premium format. The author of the question says that our plan does not look ambitious. But from our perspective, it does look ambitious. Applying the average profitability in our industry, which is around 50%, to the 90 million zloty, implies 180 million in revenue. You can, of course, use that assumption in your models. The industry average is around 50%, whereas we have historically had much higher profitability, but I would take that as a credit to us and not something that would potentially penalise us in the future. The fact that we have above-normal profitability is due to the fact that we, quite frankly, save on many other things. We don't have extensive structures; we do a lot internally. We don't outsource much; we don't spend money on things that we could. This is the idea behind our thinking and strategy. Considering what I just said, and using the industry average profitability makes it 180 million in revenue. Spreading this out over three years, these are three years of record performances, versus what we have historically achieved. We've never yet broken 60 million zloty in revenue in any single year. From our perspective, looking at Green Hell and looking at Chimera's timeline, and while we do have a release ahead of us, it's a single platform release and an Early Access release. If we go back in time to the launch of Green Hell and when we add co-op, then when we're dealing with a single platform, these performance targets really don't look so easy to achieve anymore. It implies that the Chimera premiere has to be a really big success in order for these results to be talked about. So, from that perspective, I don't agree with the statement that it's not particularly ambitious. From our perspective, it's actually an ambitious plan and I'm not at all sure that it's so easy to achieve. Going into details of the next question, we proposed an incentive programme that, in our view, is structured sensibly in terms of the objectives it is supposed to fulfil, namely motivating the team and its key people. The idea is that it should be ambitious but achievable. We also don't want to make a very complicated programme, because these complications can later translate into some misunderstanding of what is going on. It's supposed to be simple, to fulfil its purpose, and like the name suggests: to motivate people to achieve the tasks we set before them. In our view, the achievement of these results should confirm that we have a second strong IP, which, from a long-term value perspective of the company, is in my opinion crucial at this time.

Q: What will the intensity of the marketing campaign be once it's revealed, considering that the EA release is more likely to be planned for the second half of 2024?

Grzegorz Piekart:

I don't really know how the author of the question would have me quantify the intensity of a marketing campaign. We certainly don't want to upload a teaser and then not have anything happen for a long time. We want to have an active campaign where we communicate to the players what we are doing, what the game is, what it is for and what fantasy it is to fulfil. So, we'll certainly engage in some ongoing activities but judging the intensity, I would say that this is nevertheless going to be a low-cost campaign, similar to what we're doing today. A lot of our content is generated internally. We certainly won't be going out to any outlet stores that'll want money to promote us. We will rather be looking for ways to do it with as little cost as possible. We will of course be approaching market players to support us in that, but we are rather looking for a way to get people interested in our game not through monetary acquisition of that interest.

Q: Do you foresee a significant increase in the scale of discounts this year?



Grzegorz Piekart: Once again, an essential question is being asked. Generally speaking, when we look at what is happening with Green Hell, we assume our last option will always be to see what happens if we lower the price, and that solution is always available. We have tried and are still trying to see if we can find other solutions, but it hinges on what we mean by a significant increase in scale. But I don't expect us to jump suddenly from 30% to a much higher figure. It is more likely that if we do any larger reductions, they will be incrementally small steps.

Q: When will the Building Update be released onto console?

Grzegorz Piekart: It's probably a bit early to talk about that, we've only just recently started working on that expansion because when we released Animal Husbandry, we still had to do some hot fixes and similar things. We've only just started working on it at full steam, but we assume that it will be completed according to the roadmap and schedule. We're currently managing to port expansions to console every few months, and it should be the same this time, although we're constantly faced with the limitations of the old consoles. As of today, it doesn't look like the Building Update is going to run on the old consoles, but we won't know that until we are further along in the porting process.

As I understand it, that was the last question, so thank you very much for today's meeting. For those watching the coverage, feel free to join us for the investor chat at 1 pm. The link to that chat is in the streaming description. Thank you very much.

