

DEPENDENT A	United States District Court Northern District of California
	Case No. <u>4:20-cv-05640-YGR</u>
	Case Title <u><i>Epic Games, Inc. v. Apple, Inc.</i></u>
	Exhibit No. <u>DX-3712</u>
	Date Entered _____
	Susan Y. Soong, Clerk
	By: _____, Deputy Clerk



# Epic Games Store

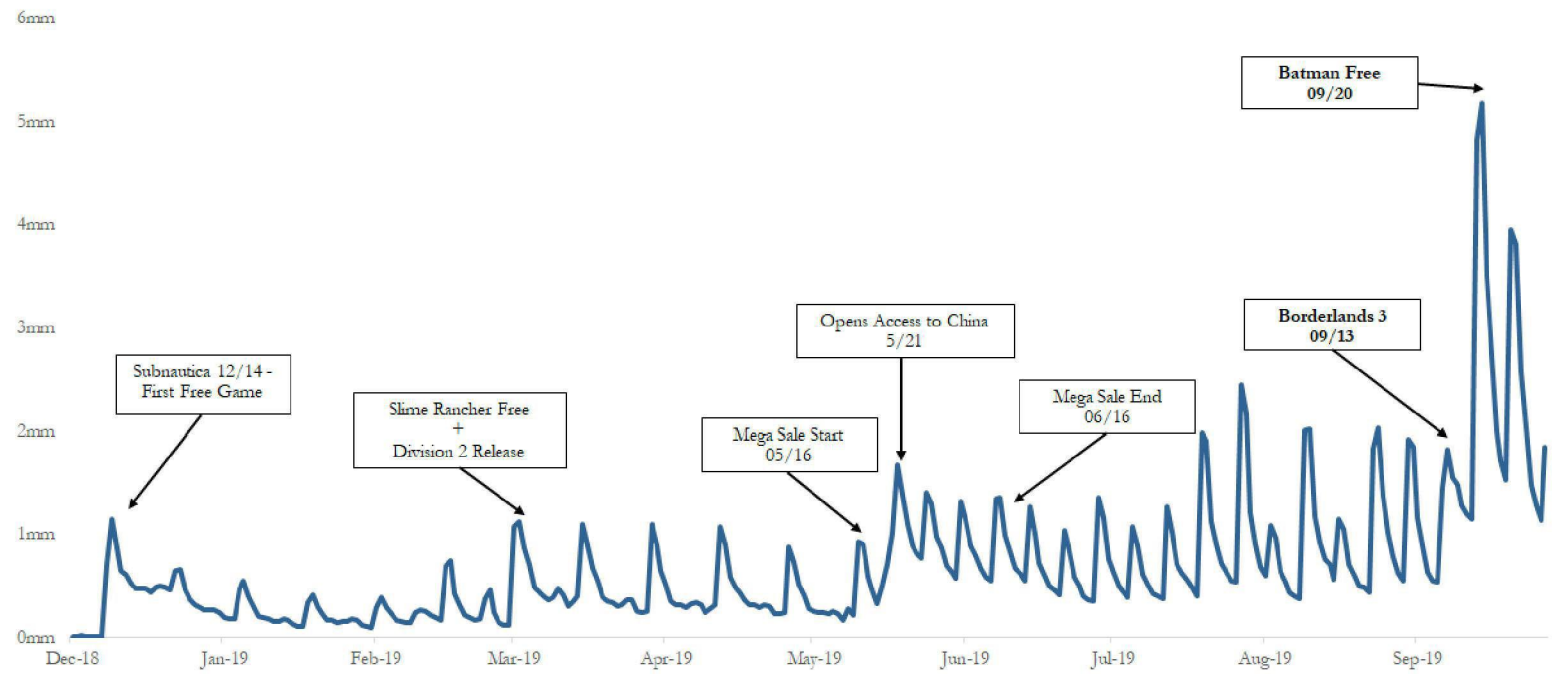
Review of Performance and Strategy

**October 25, 2019**



# Users & Monetization Growth

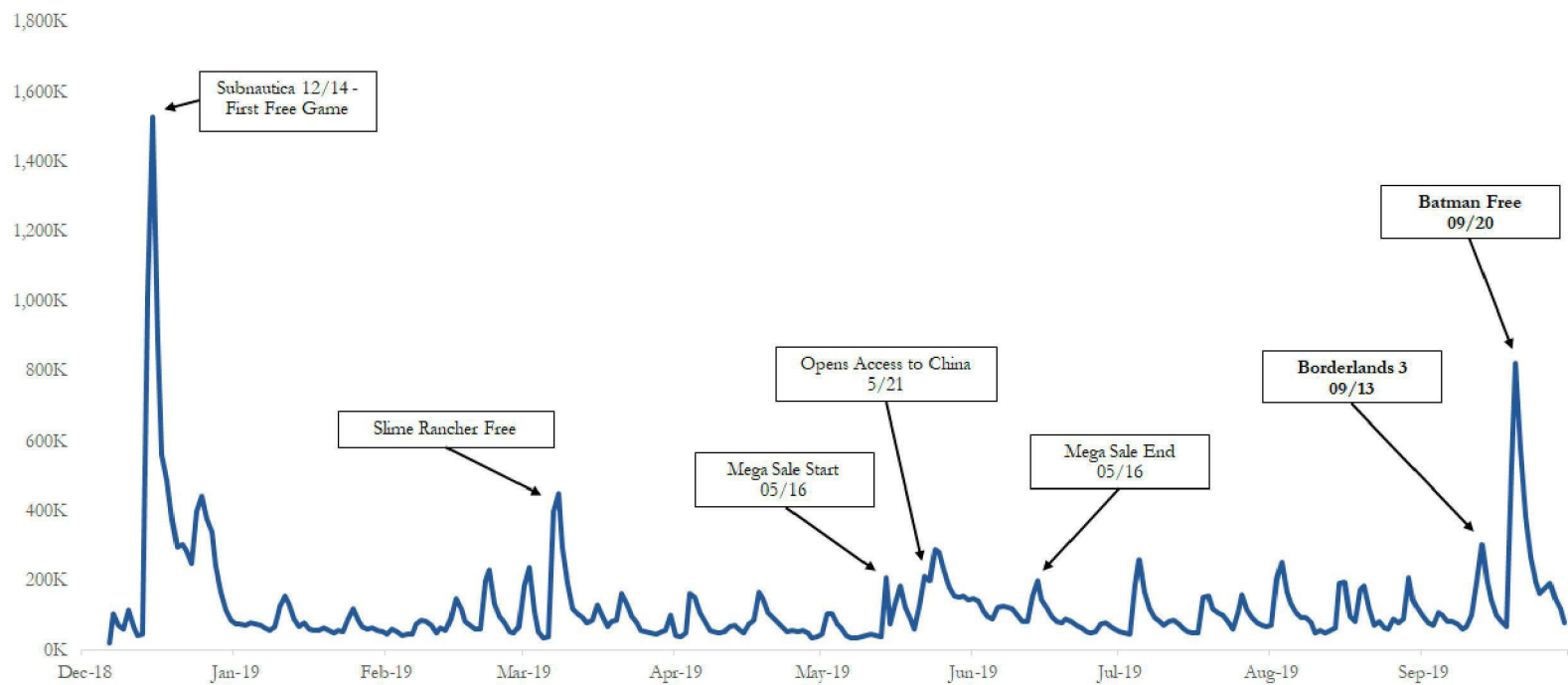
# Daily Active Users



**Continuous Growth in DAU driven by Exclusives, Promotions and Free Games**



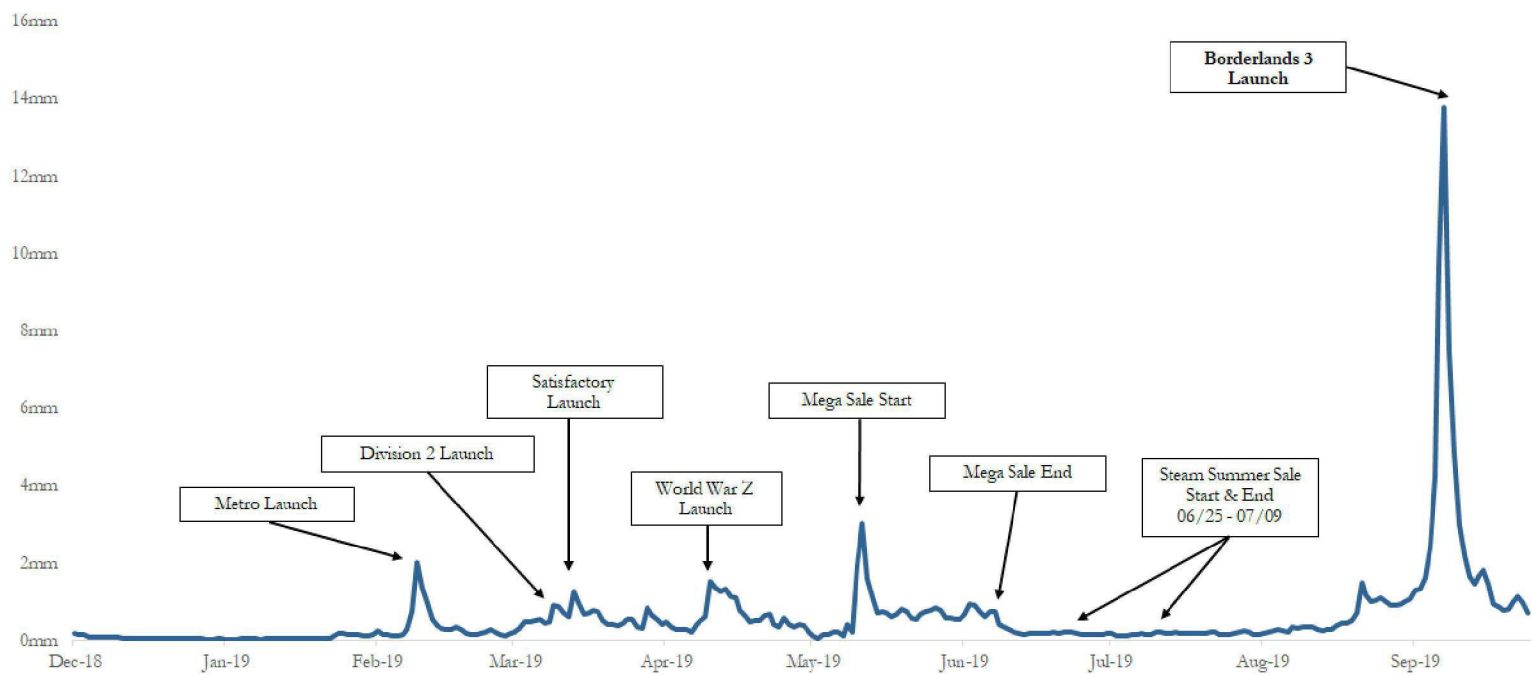
# New Store Users by Day



***First Entitlements/Day remain very active & are a view used to show events that drive initial EGS action***



# Epic Games Store Daily Revenue

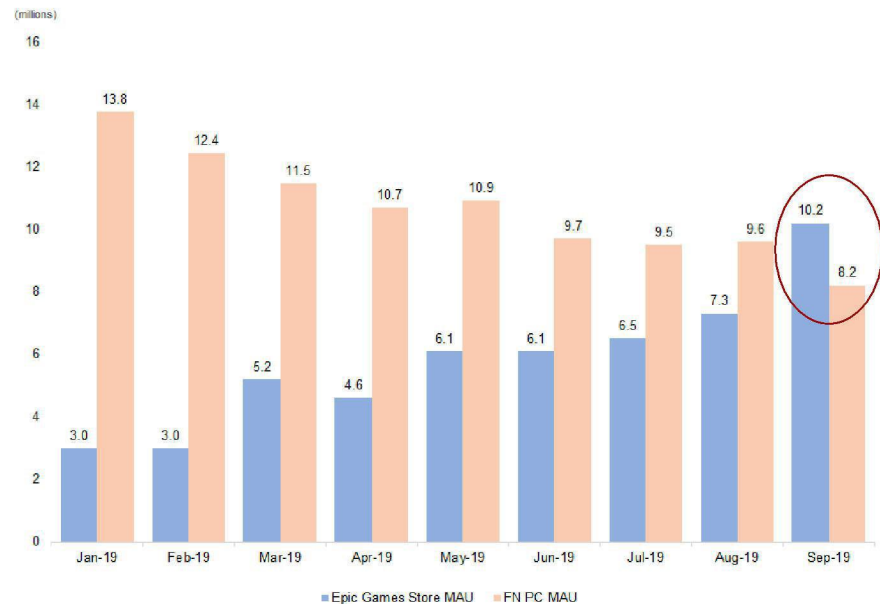


**Gross Revenue since launch in December 2018 of ~\$160 million with monthly revenue in September 2019 alone of ~\$82 million**

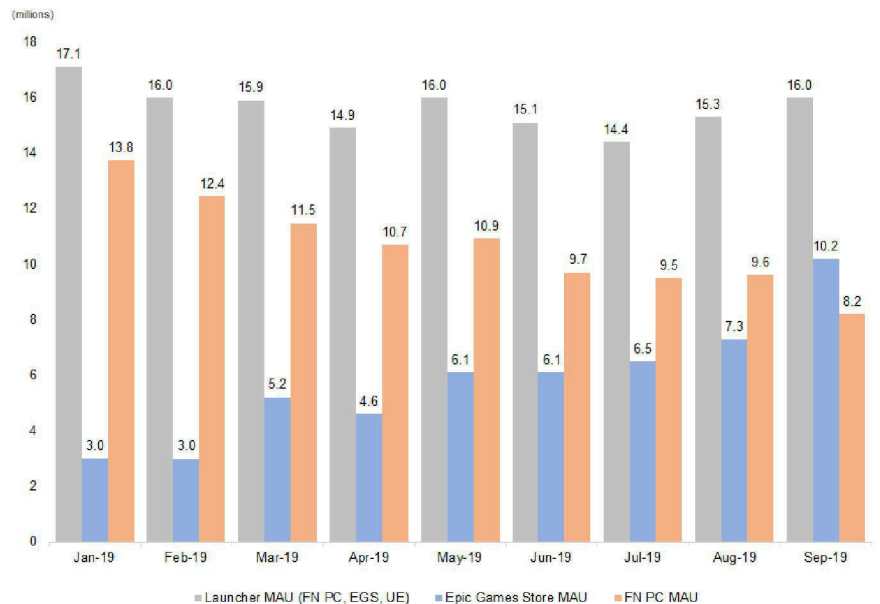


# EGS, FN PC & Epic Launcher MAU 2019 YTD

EGS MAU Surpassed Fortnite PC in September



Ecosystem MAU: Launcher, EGS, Fortnite PC



**Launcher MAU includes UE Marketplace, EGS & Fortnite PC**

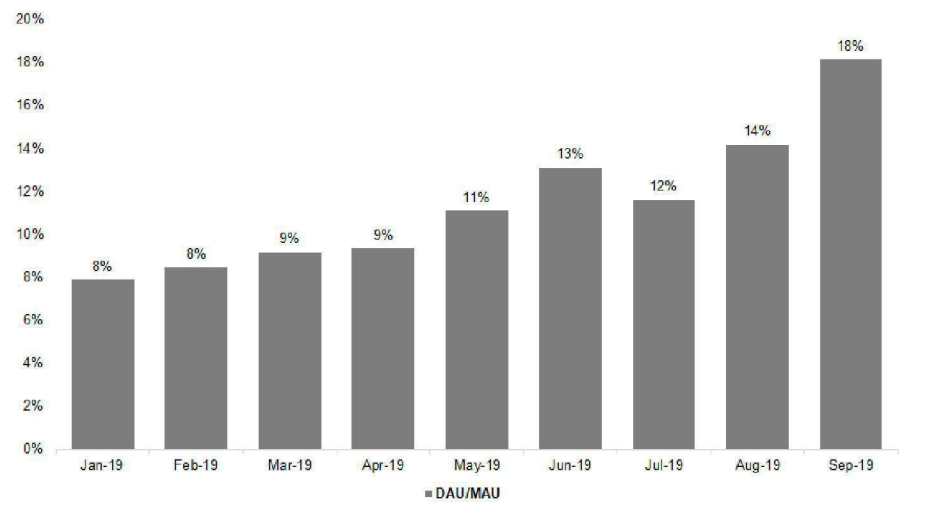


# Epic Games Store WAU/MAU & DAU/MAU

Weekly / Monthly Active Users



Daily / Monthly Active Users

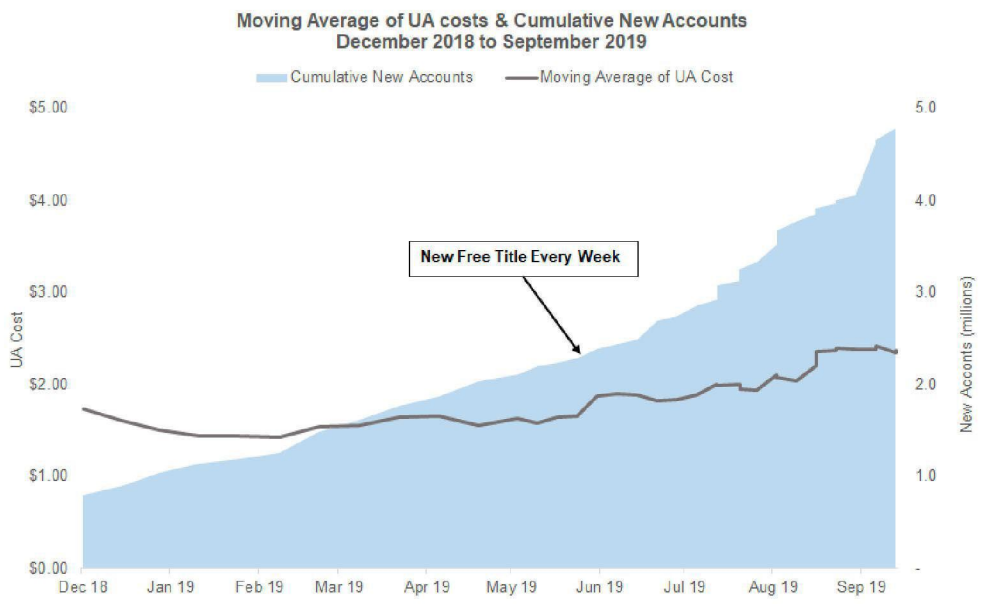


***Continuous Growth in Daily and Weekly Engagement driven by Exclusives and Free Games***



# EGS Free Games LTD

Title	Seller	Start Date	Entitlements	Buyout Price	New Epic Accounts	EPIC UA Cost	New to Epic %
Subnautica	Unknown Worlds	12/14/2018	4,634,926	\$1,490,000	604,052	\$1.74	17%
Super Meat Boy	Team Meat	12/20/2018	1,759,421	\$50,000	97,042	\$0.52	6%
What Remains of Edith Finch	Annapurna	1/10/2019	1,084,926	\$125,000	141,329	\$0.88	8%
Jackbox Party Pack	Jackbox	1/24/2019	1,416,906	\$80,000	94,414	\$0.84	7%
Autom Verge	Thomas Happ	2/7/2019	1,297,299	\$80,000	52,037	\$1.54	4%
Thimbleweed Park	Terrible Toybox	2/21/2019	1,973,778	\$85,000	73,198	\$1.16	4%
Slime Rancher	Monomi Park	3/7/2019	3,417,371	\$500,000	226,597	\$2.21	7%
Overfree	Night School	3/21/2019	2,340,552	\$200,000	123,871	\$1.61	5%
The Witness	Thekla	4/4/2019	2,755,867	\$400,000	148,783	\$2.69	5%
Transistor	Supergiant	4/18/2019	2,505,024	\$200,000	111,617	\$1.79	4%
World of Goo	2D Boy	5/2/2019	2,438,304	\$50,000	155,215	\$0.32	6%
Stories Untold	Devolver Digital	5/16/2019	2,261,388	\$300,000	82,260	\$3.65	4%
RiME	Six Foot	5/23/2019	2,434,212	\$45,000	95,705	\$0.47	4%
City of Brass	Uppercut	5/30/2019	2,105,805	\$200,000	32,359	\$6.18	2%
Kingdom New Lands	Raw Fury	6/6/2019	2,168,125	\$100,000	45,632	\$2.19	2%
Enter the Gungeon	Devolver Digital	6/13/2019	2,722,191	\$700,000	112,889	\$6.20	4%
Rebel Galaxy	Double Damage	6/20/2019	2,126,164	\$125,000	41,812	\$2.99	2%
Last Day of June	505 Games S.r.l.	6/27/2019	2,001,838	\$75,000	50,807	\$1.48	3%
Overcooked	Team17 Digital	7/4/2019	3,011,206	\$225,000	206,275	\$1.09	7%
Torchlight	Perfect World	7/11/2019	2,144,476	\$150,000	54,809	\$2.74	3%
Limbo	Playdead	7/18/2019	2,672,569	\$350,000	115,217	\$3.04	4%
Moonlighter	11 Bit Studios	7/25/2019	2,755,640	\$450,000	66,632	\$6.75	2%
This War of Mine	11 Bit Studios	7/25/2019	2,777,885	\$250,000	140,166	\$1.78	5%
Alan Wake	Remedy	8/2/2019	2,867,671	\$150,000	63,286	\$2.37	2%
For Honor	Ubisoft	8/2/2019	3,048,725	\$93,000	118,257	\$0.53	4%
GNOG	KO_OP	8/6/2019	2,087,429	\$100,000	73,718	\$1.36	4%
Mutant Year Zero	Funcom	8/15/2019	3,023,084	\$1,000,000	197,845	\$5.05	7%
Hyper Light Drifter	Heart Machine	8/15/2019	2,726,839	\$200,000	152,909	\$1.31	6%
Fez	Polytron	8/22/2019	2,504,645	\$75,000	107,303	\$0.70	4%
Inside	Playdead	8/29/2019	2,710,879	\$800,000	71,942	\$11.12	3%
Celeste	Matt Makes Games	8/29/2019	2,705,525	\$750,000	62,523	\$12.00	2%
ABZU	505 Games S.r.l.	9/5/2019	2,642,880	\$150,000	56,471	\$2.66	2%
The End Is Nigh	Edmund McMillen	9/5/2019	2,422,807	\$200,000	27,352	\$7.31	1%
Canary	Iceberg Interactive	9/12/2019	2,601,327	\$50,000	53,304	\$0.94	2%
Batman Arkham	Warner Bros.	9/19/2019	6,448,904	\$1,500,000	613,912	\$2.44	10%
LEGO Batman	Warner Bros.	9/19/2019	5,268,028	\$300,000	46,891	\$6.38	1%
Melro: 2033 Redux	Koch Media	9/26/2019	4,548,873	\$0	169,872	\$0.00	4%
Everything	David O'Reilly	9/26/2019	3,544,541	\$200,000	35,630	\$5.58	1%
Grand Total			104,579,849	\$11,650,000	4,924,213	\$2.37	5%

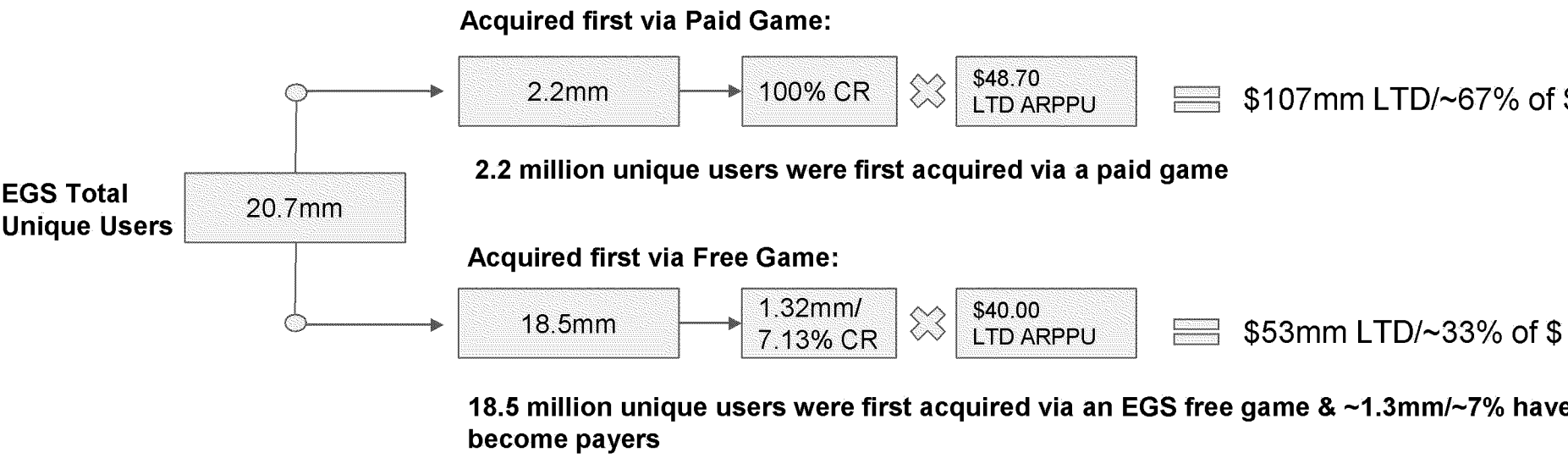


**~100mm entitlements    ~5.0M/5% New Accounts w/UA Cost of \$2.37/New Account**





# Epic Games Store Users & Purchases LTD



***~21mm unique users LTD. ~7% of Users acquired via a Free Game have made a purchase***



# Paid Unique Users - More Detail

**Acquired first via Paid Game:**



2.2 million unique users were first acquired via a paid game, these players fall into 3 subgroups:

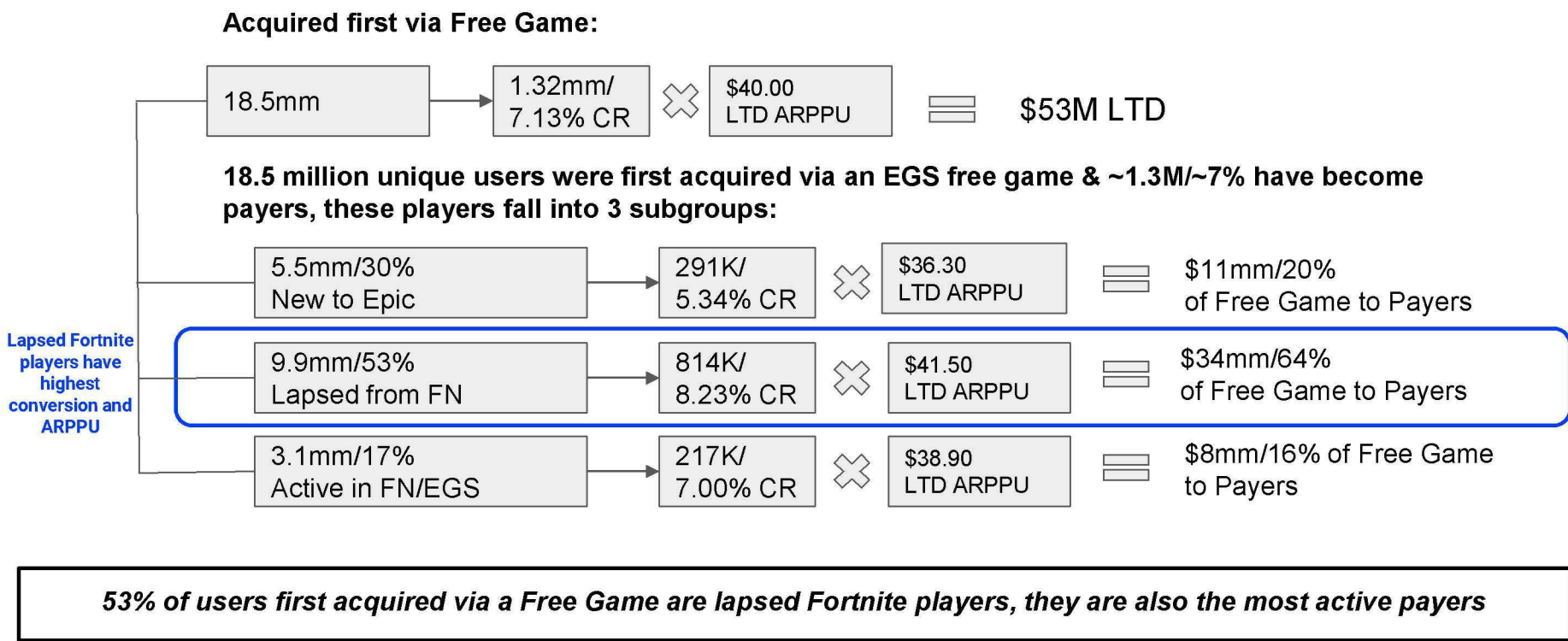
Almost 50% Paid Users are completely new to the Epic ecosystem



***Of users first acquired via a Paid Game to date, only 6% are active FN players***



# Free Game Users & Conversion to Payers - More Detail



# Update: First 2 Weeks of Sales



\$ in Millions

Borderlands 3 Deal	
Borderlands 3 Minimum Guarantee	\$80
Borderlands 3 Marketing Commitment	\$15
Borderlands 3 Non Recoupable Fees	\$20
Total Borderlands 3 Deal	\$115
Bundled 2K Deals	
Handsome Collection	\$11
Civilization	\$20
Total Bundled 2K Deals	\$31
Fully Loaded Borderlands 3 Deal (incl. Bundled 2K)	\$146

% Recoup Borderlands 3	
Life-to-Date Borderlands 3 EGS Revenue	\$77
Life-to-Date Borderlands 3 (PC Retail, Resellers)	\$23
Total Life-To-Date Borderlands 3 Recoupable Revenue	\$100
Borderlands 3 EGS Gross Revenue	\$77
(x) EGS 12% Revenue Share	12.0%
EGS Life to Date Net Revenue	\$9.2

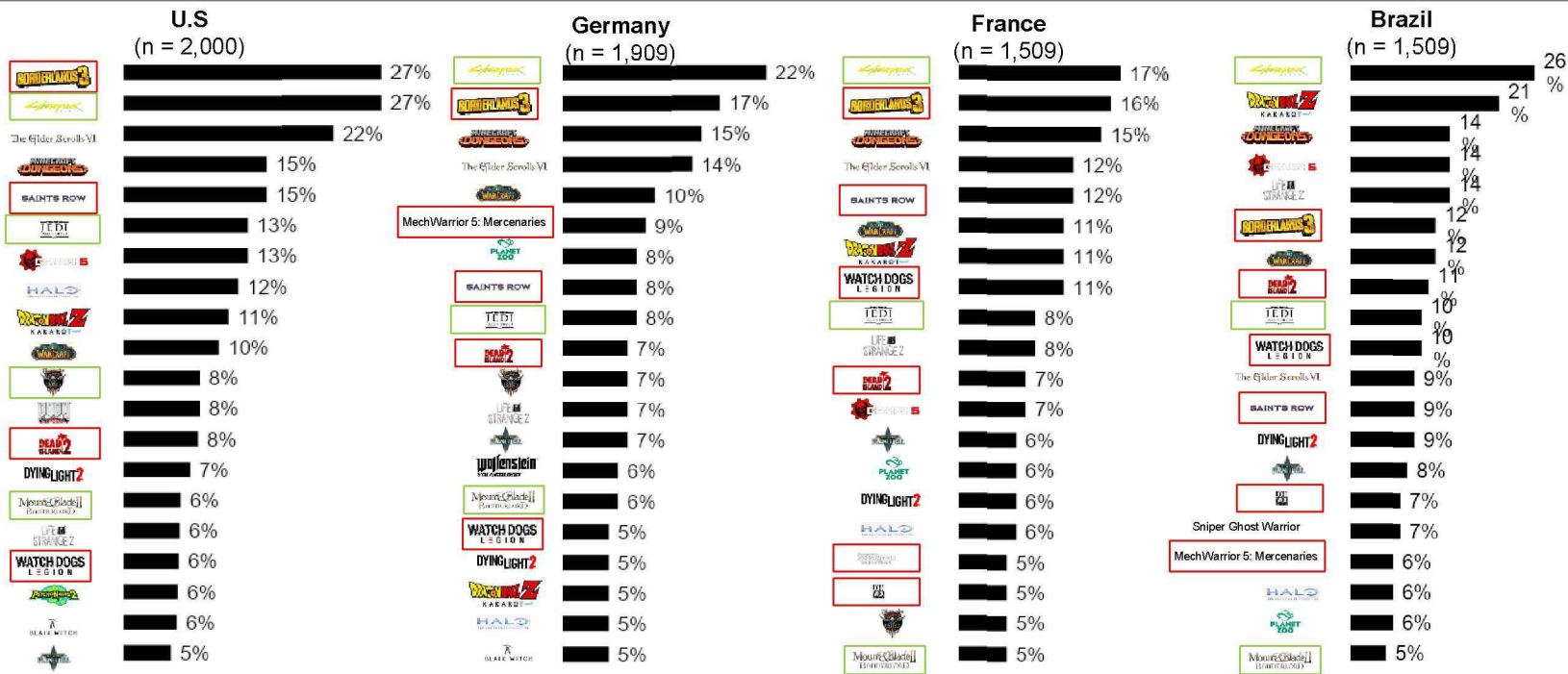
- 100% of \$80mm minimum guarantee recouped
- 1.56mm Borderlands users
- 53% new to Epic Game Store
- Net revenue contribution of \$9.2mm



# What's Next? Most Anticipated PC Games\*

[Red] = Epic Games Store exclusive, [Green] = Sim ship on Steam/PC stores (Aug 2019 EGS Blind survey)

Which of the following upcoming PC games are you most looking forward to? (Select up to five.)



Note: Only the top 20 most selected games for each region are shown. Only announced games





# 5 Year P&L View

# Assumptions | Revenue Build

Revenue Assumptions		Assumption Detail						
			2019	2020	2021	2022	2023	2024
1.	Model based on ~110 signed titles and pipeline (non-signed) titles	Total Signed Deals (Sept '19)	56	45	4			
		Minimum Gaurantees (\$ in mm)	\$542	\$444	\$52			
		Expected Lifetime Recoup	62%	82%	90%			
2.	Pipeline (non-signed) titles are driven by projected number of MG and non-MG titles by tier	Titles	2019	2020	2021	2022	2023	2024
		Tier 1		1	6	6	6	6
		Tier 2		2	14	17	17	17
		Tier 3&4		27	125	302	318	318
		Catalogue Titles		300	500	700	1,000	250
		Total Pipeline (Non-Signed) Deals		330	645	1,025	1,341	591
3.	Revenue on pipeline MG titles are based on lifetime revenue of a comparable games relative to tier	Lifetime revenue / title for pipeline titles with minimum guarantees (exclusives)						
		• Tier 1: \$60mm • Tier 2: \$30mm • Tier 3: \$7.5mm • Tier 4: \$2.5mm						
4.	Revenue of pipeline non-MG titles are based on market share of capture of the title based on tier	% market share capture of non-exclusive titles						
		• Aggressive pursuit scenario: 20% up to 50% • Aggressive pursuit scenario (Steam reacts): 20% up to 30% • Winding down scenario: 20% down to 8%						
5.	Lifetime revenue earned over typical game decay curve	• Tier 1 and 2 titles lifetime revenue earnout: 50% in Y1, 30% in Y2 ,15% in Y3 and 5% in Y4 • Tier 3 and 4 titles lifetime revenue earnout: 40% in Y1, 40% in Y2 ,15% in Y3 and 5% in Y4						

\* Assumes launch dates of games average out to midpoint of the year



# Assumptions | Scenarios

Assumptions	Aggressive Pursuit Model	Winding Down Model																																																																																				
1. # of <b>exclusive</b> deals (i.e. <b>minimum guarantee</b> deals) pursued	<ul style="list-style-type: none"><li>Continue <b>aggressive investment in securing titles for an exclusive window</b> across tiers to drive users into the Store and gain market share</li></ul> <table><tr><th>Total Exclusive Titles</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Tier 1</td><td>2</td><td>2</td><td>5</td><td>4</td><td>4</td><td>4</td></tr><tr><td>Tier 2</td><td>12</td><td>15</td><td>11</td><td>10</td><td>12</td><td>12</td></tr><tr><td>Tier 3</td><td>7</td><td>14</td><td>16</td><td>12</td><td>8</td><td>8</td></tr><tr><td>Tier 4</td><td>35</td><td>23</td><td>20</td><td>10</td><td>10</td><td>10</td></tr><tr><td>Total Exclusive Titles (i.e. MGs)</td><td>56</td><td>54</td><td>52</td><td>36</td><td>34</td><td>34</td></tr></table>	Total Exclusive Titles	2019	2020	2021	2022	2023	2024	Tier 1	2	2	5	4	4	4	Tier 2	12	15	11	10	12	12	Tier 3	7	14	16	12	8	8	Tier 4	35	23	20	10	10	10	Total Exclusive Titles (i.e. MGs)	56	54	52	36	34	34	<ul style="list-style-type: none"><li>Winding down underwriting <b>minimum guarantees</b> for exclusive titles in 2021</li></ul> <table><tr><th>Total Exclusive Titles</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Tier 1</td><td>2</td><td>2</td><td>3</td><td>3</td><td>2</td><td>2</td></tr><tr><td>Tier 2</td><td>12</td><td>15</td><td>9</td><td>5</td><td>0</td><td>0</td></tr><tr><td>Tier 3</td><td>7</td><td>14</td><td>1</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Tier 4</td><td>35</td><td>23</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Total Exclusive Titles (i.e. MGs)</td><td>56</td><td>54</td><td>13</td><td>8</td><td>2</td><td>2</td></tr></table>	Total Exclusive Titles	2019	2020	2021	2022	2023	2024	Tier 1	2	2	3	3	2	2	Tier 2	12	15	9	5	0	0	Tier 3	7	14	1	0	0	0	Tier 4	35	23	0	0	0	0	Total Exclusive Titles (i.e. MGs)	56	54	13	8	2	2
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2. <b>\$ Minimum Guarantee</b> additions	<table><tr><th>MGs \$ in mm</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Minimum Guarantee Additions</td><td>\$542</td><td>\$495</td><td>\$667</td><td>\$451</td><td>\$469</td><td>\$469</td></tr></table>	MGs \$ in mm	2019	2020	2021	2022	2023	2024	Minimum Guarantee Additions	\$542	\$495	\$667	\$451	\$469	\$469	<table><tr><th>MGs \$ in mm</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th></tr><tr><td>Minimum Guarantee Additions</td><td>\$542</td><td>\$495</td><td>\$352</td><td>\$220</td><td>\$80</td><td>\$80</td></tr></table>	MGs \$ in mm	2019	2020	2021	2022	2023	2024	Minimum Guarantee Additions	\$542	\$495	\$352	\$220	\$80	\$80																																																								
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3. <b>Structural improvements in MG deals</b>	Across both scenarios, this model reflects fundamental improvements in structuring exclusive deals given: <ul style="list-style-type: none"><li>Lifetime recoup (vs. one year recoup)</li><li>Cross collateralization</li><li>Ability to sign minimum guarantees at the lower end of comps due to the scaling of the store ecosystem</li></ul>																																																																																					
4. <b>Risk adjustment:</b> haircut on revenue across all games	<ul style="list-style-type: none"><li>25% portfolio risk to signed deals</li><li>20% portfolio risk to pipeline (non-signed) deals</li><li>30% portfolio risk to pipeline (non-signed) deals (Steam reacts)</li></ul>			<ul style="list-style-type: none"><li>25% portfolio risk to signed deals</li><li>15% down to 0% portfolio risk to pipeline (non-signed) deals</li></ul>																																																																																		
5. <b>Market Share Capture</b>	<ul style="list-style-type: none"><li>50% of all PC revenue if Steam doesn't react</li><li>35% of all PC revenue if Steam does react</li></ul>			<ul style="list-style-type: none"><li>Build up to 20% of all PC store users and wind down to ~8% over time</li></ul>																																																																																		





# 5 Year P&L and User Forecast

## Aggressive Pursuit Model

Illustrative: Last deal signed in 2024

	2019	2020	2021	2022	2023	2024	Flow from Prior Years		
All figures in millions, except per user							2025	2026	2027
P&L									
Signed Deals	\$213	\$375	\$183	\$59	\$21	\$9	\$4	\$0	\$0
Pipeline (Non-Signed Deals)	-	24	363	683	980	1,165	652	246	60
Free Games	1	2	2	2	3	3	-	-	-
Gross Revenue	\$213	\$401	\$547	\$744	\$1,004	\$1,177	\$655	\$247	\$60
Store Royalty (88% Share)	\$208	\$353	\$482	\$655	\$883	\$1,036	\$577	\$217	\$53
MG True-Up (Reversal) <sup>1</sup>	120	254	144	154	33	(16)	(23)	(74)	(3)
Total Revenue Share	328	606	626	809	917	1,020	554	143	50
Free Game Buyout	\$34	\$34	\$15	\$15	\$15	\$15	-	-	-
Marketing	19	8	11	15	20	24	13	5	1
Payment Processing	11	21	29	39	53	62	35	13	3
Hosting	2	4	5	7	10	12	7	2	1
Cost of Sales	395	674	686	885	1,015	1,132	609	163	55
Gross Profit	(\$181)	(\$273)	(\$139)	(\$142)	(\$11)	\$45	\$47	\$83	\$5
Cumulative Gross Profit	(\$181)	(\$454)	(\$593)	(\$734)	(\$746)	(\$701)	(\$654)	(\$571)	(\$566)
People	\$15	\$19	\$20	\$22	\$23	\$24	-	-	-
Outsourcing	5	5	5	5	5	6	-	-	-
Total Opex	20	24	25	27	28	30	-	-	-
EBIT	(\$201)	(\$296)	(\$164)	(\$168)	(\$40)	\$15	\$47	\$83	\$5
Cumulative EBIT	(\$201)	(\$497)	(\$661)	(\$830)	(\$869)	(\$854)	(\$808)	(\$724)	(\$719)
Tax (Benefit) / Expense <sup>2</sup>	(\$30)	(\$65)	(\$36)	(\$37)	(\$9)	\$3	-	-	-
Earnings	(\$171)	(\$231)	(\$128)	(\$131)	(\$31)	\$12	\$47	\$83	\$5
Cumulative Earnings	(\$171)	(\$402)	(\$530)	(\$661)	(\$692)	(\$680)	(\$634)	(\$550)	(\$545)
Assumptions   Minimum Guarantees							2025	2026	2027
Annual MGs Paid <sup>3</sup>	\$542	\$495	\$667	\$508	\$469	\$469	-	-	-
Outstanding MG Committed <sup>4</sup>	\$889	\$1,113	\$1,170	\$1,189	\$1,194	\$712	\$466	\$392	\$389
Blended Recoup	62%	80%	91%	100%	100%	100%	-	-	-
Assumptions   Users - Steam Doesn't React									
Monthly Active Users	14	22	30	40	45	50	-	-	-
Implied Revenue / MAU	\$15.25	\$18.22	\$18.24	\$18.60	\$22.30	\$23.54	-	-	-
Total Accounts	28	50	75	90	105	125	-	-	-
Implied Cumm. Cost / New User <sup>5</sup>	\$7.17	\$9.94	\$8.82	\$9.22	\$8.28	\$6.84	-	-	-

## Winding Down Model

Illustrative: Last deal signed in 2024

	2019	2020	2021	2022	2023	2024	Flow from Prior Years		
All figures in millions, except per user							2025	2026	2027
P&L									
Signed Deals	\$213	\$375	\$183	\$59	\$21	\$9	\$4	\$0	\$0
Pipeline (Non-Signed Deals)	-	24	244	396	398	347	185	73	17
Free Games	1	2	2	2	3	3	-	-	-
Gross Revenue	\$213	\$401	\$429	\$457	\$422	\$359	\$189	\$74	\$17
Store Royalty (88% Share)	\$208	\$353	\$378	\$403	\$372	\$316	\$166	\$65	\$15
MG True-Up (Reversal) <sup>1</sup>	120	254	88	44	(12)	(57)	(1)	(0)	(0)
Total Revenue Share	328	606	466	447	359	259	165	65	15
Free Game Buyout	\$34	\$34	\$15	\$15	\$10	\$5	-	-	-
Marketing	19	8	9	9	8	7	4	1	0
Payment Processing	11	21	23	24	22	19	10	4	1
Hosting	2	4	4	5	4	4	2	1	0
Cost of Sales	395	674	516	500	404	294	181	71	17
Gross Profit	(\$181)	(\$273)	(\$87)	(\$42)	\$18	\$65	\$8	\$3	\$1
Cumulative Gross Profit	(\$181)	(\$454)	(\$541)	(\$584)	(\$566)	(\$501)	(\$493)	(\$490)	(\$489)
People	\$15	\$19	\$20	\$22	\$23	\$24	-	-	-
Outsourcing	5	5	5	5	5	6	-	-	-
Total Opex	20	24	25	27	28	30	-	-	-
EBIT	(\$201)	(\$296)	(\$112)	(\$69)	(\$10)	\$36	\$8	\$3	\$1
Cumulative EBIT	(\$201)	(\$497)	(\$610)	(\$679)	(\$689)	(\$654)	(\$646)	(\$643)	(\$642)
Tax (Benefit) / Expense <sup>2</sup>	(\$30)	(\$65)	(\$25)	(\$15)	(\$2)	\$8	-	-	-
Earnings	(\$171)	(\$231)	(\$88)	(\$54)	(\$8)	\$28	\$8	\$3	\$1
Cumulative Earnings	(\$171)	(\$402)	(\$490)	(\$544)	(\$552)	(\$524)	(\$516)	(\$513)	(\$513)
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Assumptions   Minimum Guarantees									
Annual MGs Paid <sup>3</sup>	\$542	\$495	\$352	\$248	\$80	\$80	-	-	-
Outstanding MG Committed <sup>4</sup>	\$889	\$799	\$696	\$497	\$400	\$264	\$236	\$235	\$235
Blended Recoup	62%	80%	100%	100%	100%	100%	-	-	-
Assumptions   Users - Steam Doesn't React									
Monthly Active Users	14	22	22	20	18	16	-	-	-
Implied Revenue / MAU	\$15.25	\$18.22	\$19.50	\$22.87	\$23.46	\$22.43	-	-	-
Total Accounts	28	50	55	56	57	56	-	-	-
Implied Cumm. Cost / New User <sup>5</sup>	\$7.17	\$9.94	\$11.08	\$12.12	\$12.09	\$11.27	-	-	-

<sup>1</sup> In 2024 (aggressive) and 2023 (winding down), MG expenses begin reversing itself as the deals become profitable. <sup>2</sup> Assumes 15% effective tax rate in 2019 and 22% thereafter, assumes no interest earned on cash. <sup>3</sup> Annual MGs Paid represents total MG for games released in the year. <sup>4</sup> Outstanding MG Committed: Balance of signed MGs that is yet to be recouped. Refer to Slide 19 for breakdown. <sup>5</sup> Cumulative EBIT / lifetime users.



# Revenue Waterfall and Lifetime MG Recoup

## Aggressive Pursuit Model

	2019	2020	2021	2022	2023	2024
\$ in Millions						
Signed Deals	\$198	\$367	\$179	\$57	\$20	\$8
Forecast Exclusive Deals	-	\$11	\$279	\$439	\$519	\$545
2019 Pipeline Exclusive	-	-	-	-	-	-
2020 Pipeline Exclusive	-	11	11	4	1	-
2021 Pipeline Exclusive	-	-	268	182	84	28
2022 Pipeline Exclusive	-	-	-	253	166	79
2023 Pipeline Exclusive	-	-	-	-	267	171
2024 Pipeline Exclusive	-	-	-	-	-	267
Forecast Non Exclusive Deals	\$15	\$21	\$87	\$246	\$461	\$620
2019 Pipeline Non-Exclusive	15	8	4	2	1	0
2020 Pipeline Non-Exclusive	-	13	13	8	4	-
2021 Pipeline Non-Exclusive	-	-	70	70	41	20
2022 Pipeline Non-Exclusive	-	-	-	167	194	101
2023 Pipeline Non-Exclusive	-	-	-	-	222	249
2024 Pipeline Non-Exclusive	-	-	-	-	-	250
Free Games	\$1	\$2	\$2	\$2	\$3	\$3
Total Gross Revenue	\$213	\$401	\$547	\$744	\$1,004	\$1,177
<u>Signed Deals Recoup</u>						
Annual MGs Paid Signed Deals	\$542	\$444	\$52	\$0	\$0	\$0
Lifetime Revenue Signed Deals	\$336	\$362	\$47	\$0	\$0	\$0
Blended Lifetime Recoup Signed Deals	62%	82%	90%			
<u>Pipeline Deals Recoup</u>						
Annual MGs Paid Pipeline Deals		\$52	\$615	\$508	\$469	\$469
Lifetime Revenue Pipeline Deals		\$34	\$562	\$524	\$548	\$548
Blended Lifetime Recoup Pipeline Deals		66%	91%	100%	100%	100%
<u>Consolidated Recoup</u>						
Consolidated MGs Paid	\$542	\$495	\$667	\$508	\$469	\$469
Total Lifetime Revenue	\$336	\$396	\$609	\$524	\$548	\$548
Consolidated Blended Lifetime Recoup	62%	80%	91%	100%	100%	100%

100% recoup reflects full recovery of MGs

## Winding Down Model

	2019	2020	2021	2022	2023	2024
\$ in Millions						
Signed Deals	\$198	\$367	\$179	\$57	\$20	\$8
Forecast Exclusive Deals	-	\$11	\$164	\$245	\$193	\$154
2019 Pipeline Exclusive	-	-	-	-	-	-
2020 Pipeline Exclusive	-	11	11	4	1	-
2021 Pipeline Exclusive	-	-	153	92	46	15
2022 Pipeline Exclusive	-	-	-	149	89	45
2023 Pipeline Exclusive	-	-	-	-	57	34
2024 Pipeline Exclusive	-	-	-	-	-	60
Forecast Non Exclusive Deals	\$15	\$21	\$84	\$154	\$206	\$194
2019 Pipeline Non-Exclusive	15	8	4	2	1	0
2020 Pipeline Non-Exclusive	-	13	10	5	3	-
2021 Pipeline Non-Exclusive	-	-	70	51	23	11
2022 Pipeline Non-Exclusive	-	-	-	96	76	32
2023 Pipeline Non-Exclusive	-	-	-	-	103	82
2024 Pipeline Non-Exclusive	-	-	-	-	-	68
Free Games	\$1	\$2	\$2	\$2	\$3	\$3
Total Gross Revenue	\$213	\$401	\$429	\$457	\$422	\$359
<u>Signed Deals Recoup</u>						
Annual MGs Paid Signed Deals	\$542	\$444	\$52	\$0	\$0	\$0
Lifetime Revenue Signed Deals	\$336	\$362	\$47	\$0	\$0	\$0
Blended Lifetime Recoup Signed Deals	62%	82%	90%			
<u>Pipeline Deals Recoup</u>						
Annual MGs Paid Pipeline Deals		\$52	\$300	\$248	\$80	\$80
Lifetime Revenue Pipeline Deals		\$34	\$306	\$297	\$114	\$120
Blended Lifetime Recoup Pipeline Deals		66%	100%	100%	100%	100%
<u>Consolidated Recoup</u>						
Consolidated MGs Paid	\$542	\$495	\$352	\$248	\$80	\$80
Total Lifetime Revenue	\$336	\$396	\$353	\$297	\$114	\$120
Consolidated Blended Lifetime Recoup	62%	80%	100%	100%	100%	100%

100% recoup reflects full recovery of MGs



# Outstanding MG Commitment & Cash Flow

## Aggressive Pursuit Model

### Outstanding MG Commitment

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning MG Commitment	-	\$889	\$1,113	\$1,170	\$1,189	\$1,194	\$712	\$466	\$392
MG Signed	1,085	666	508	469	469	-	-	-	-
Estimated Recoup	(172)	(304)	(364)	(413)	(464)	(482)	(246)	(74)	(3)
MG write-off	(24)	(137)	(88)	(36)	-	-	-	-	-
<b>Outstanding MG Commitment</b>	<b>\$889</b>	<b>\$1,113</b>	<b>\$1,170</b>	<b>\$1,189</b>	<b>\$1,194</b>	<b>\$712</b>	<b>\$466</b>	<b>\$392</b>	<b>\$389</b>

### Cash Flow

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Cash	-	(\$465)	(\$677)	(\$701)	(\$830)	(\$869)	(\$854)	(\$808)	(\$724)
EBIT	(201)	(296)	(164)	(168)	(40)	15	47	83	5
Prepaid MG	(264)	84	140	40	-	-	-	-	-
Net Δ in Cash	(465)	(212)	(24)	(129)	(40)	15	47	83	5
<b>Cumulative Cash Balance</b>	<b>(\$465)</b>	<b>(\$677)</b>	<b>(\$701)</b>	<b>(\$830)</b>	<b>(\$869)</b>	<b>(\$854)</b>	<b>(\$808)</b>	<b>(\$724)</b>	<b>(\$719)</b>

## Winding Down Model

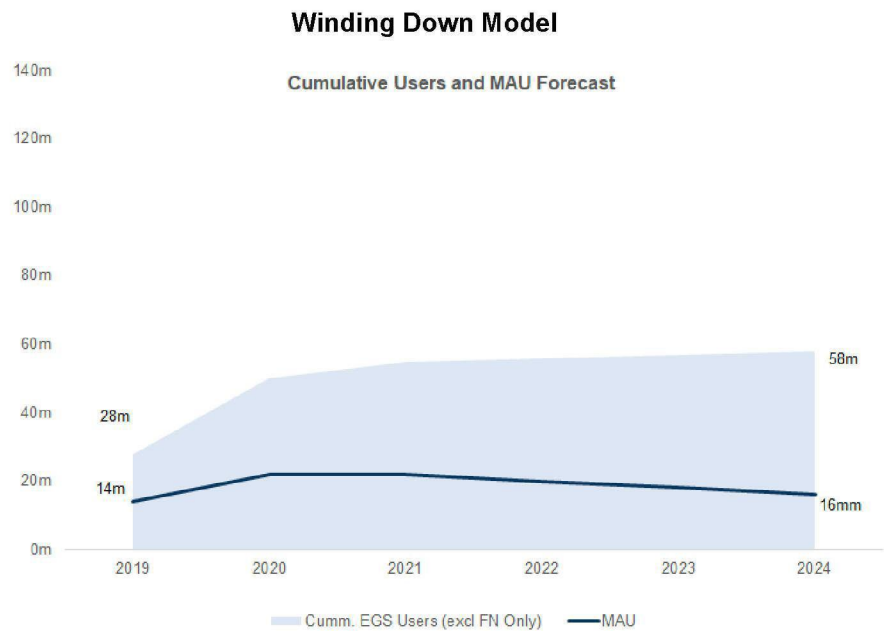
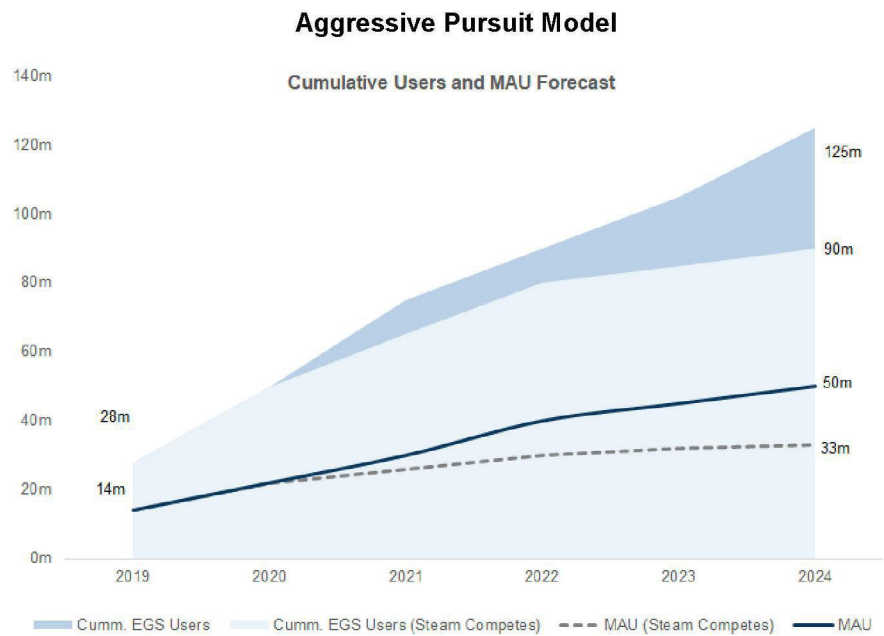
							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning MG Commitment	-	\$889	\$799	\$896	\$497	\$400	\$264	\$236	\$235
MG Signed	1,085	352	248	80	80	-	-	-	-
Estimated Recoup	(172)	(304)	(263)	(242)	(177)	(137)	(28)	(0)	(0)
MG write-off	(24)	(137)	(88)	(36)	-	-	-	-	-
<b>Outstanding MG Commitment</b>	<b>\$889</b>	<b>\$799</b>	<b>\$696</b>	<b>\$497</b>	<b>\$400</b>	<b>\$264</b>	<b>\$236</b>	<b>\$235</b>	<b>\$235</b>

							Flow from Prior Years		
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Cash	-	(\$465)	(\$677)	(\$649)	(\$679)	(\$689)	(\$654)	(\$646)	(\$643)
EBIT	(201)	(296)	(112)	(69)	(10)	36	8	3	1
Prepaid MG	(264)	84	140	40	-	-	-	-	-
Net Δ in Cash	(465)	(212)	28	(30)	(10)	36	8	3	1
<b>Cumulative Cash Balance</b>	<b>(\$465)</b>	<b>(\$677)</b>	<b>(\$649)</b>	<b>(\$679)</b>	<b>(\$689)</b>	<b>(\$654)</b>	<b>(\$646)</b>	<b>(\$643)</b>	<b>(\$642)</b>

Note: MG deals are assumed to be signed one year prior to payment and launch.



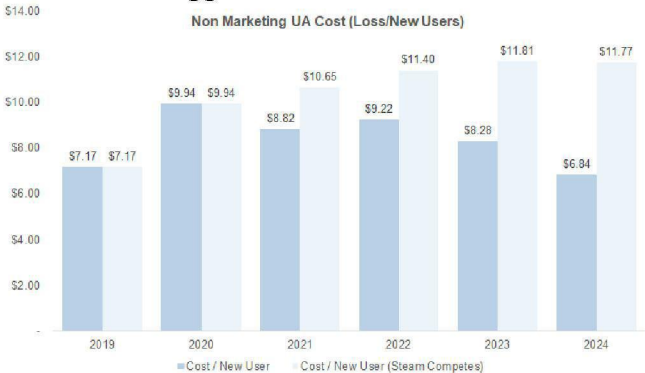
# User Growth



# User Lifetime Value of Major Ecosystems

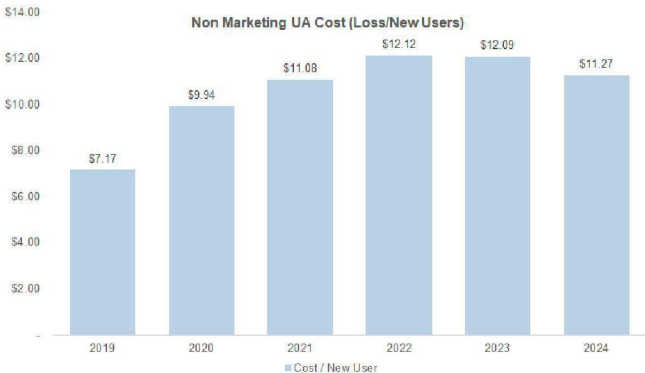
Aggressive Pursuit Model










Non Marketing UA Cost (Loss/New Users)



Winding Down Model

Non Marketing UA Cost (Loss/New Users)



(data as of 10/2/2019)					
Company	TEV (\$b)	MAUs (mm)	User Type	TEV / MAU (\$)	MARPU (\$)
	\$465.1	2414	Social Only - MAU	\$192.65	\$2.16
	\$407.1	1133	Social - MAU	\$359.34	\$1.26
	\$130.6	152	Video - Subs	\$861.54	\$9.51
	\$39.1	327	Gaming - MAU	\$119.58	\$1.78
	\$28.4	330	Social - MAU	\$86.07	\$0.90
	\$20.3	203	Social - DAU	\$100.10	\$0.57
	\$12.6	78	Fortnite - MAU	\$160.65	\$4.05
	\$9.4	486	Social - MAU	\$19.39	\$0.31
	Private	90	Steam - MAU	N/A	\$2.96

Note: Epic's MAUs and MARPUs as of August 2018 (last available data to investors in 2018's financing)  
Tencent MARPU includes Social Networks revenue from VAS and Online Advertising

