

WARSAW | 31 JANUARY 2023



STRATEGY UPDATE

NEW OPENING



WHAT HAS BEEN ACHIEVED?

WHAT IS THE PEOPLE CAN FLY GROUP?

The People Can Fly Group which consists of parent company PCF Group S.A. (the “**Company**” or “**PCF**”) and its subsidiaries (collectively, the “**Group**”), commenced business in video games market in Poland in 2002. Over its twenty years, it has collaborated with an elite group of game publishers and is recognized as one of the most experienced Polish and European studios in the AAA (Triple-A) shooter sector specifically, and an industry-leading expert in Unreal Engine technology. PCF is well regarded globally for its uniquely inspired action games.

WHAT KINDS OF GAMES DO WE MAKE?

Our mission is simple: Gamer first. We aim to deliver the world's best gaming experience for those who play our games. As gamers ourselves, we understand the unique value of the video game experience, as well as its far-reaching impact. In short, we create the games we want to play ourselves.

Over its 20-year history, PCF has created or developed several of the industry's highest-profile shooter games, including *Painkiller*, *Bulletstorm*, *Gears of War: Judgment and Outriders*. Despite these successes, we feel the segment of AAA and compact-AAA shooters (characterized by a shorter development time, lower budget and smaller scope but with a quality comparable to Triple-A games) still contains enormous untapped potential. We look forward to creating more games that push the genre forward, as well as finding ways for shooters to cross over into other genres and subgenres, and experimenting with novel multiplayer modes, innovative gameplay experiences, and finding ways to bring these experiences to virtual reality.

While developing *Project Dagger*, we have expanded the range of our games to include action games, and we are looking forward to bringing new games in new genres to the market.

WHO ARE WE?

During our time in the business, we have attracted a large number of highly knowledgeable, elite game developers with international experience. These developers, along with the back office teams who support them, routinely deliver world-class games at a high level of complexity and technological sophistication. We call them our Aviators.

The Group currently has more than 600 Aviators of whom 400 are developers. Two thirds of our employees are in Europe and one third in North America.

The teams in each location operate as independent creative units driven by shared values in pursuit of a common goal: to bring inspiring games to the gaming community.



To maximize efficiency between units, we developed the *PCF Framework* – a proprietary add-ons, tools, assets, and modifications to Unreal engine speeding up game development processes. In addition, we have created *Centers of Excellence* within the Company that allow Aviators to collaborate across working groups to promote innovation, experimentation and knowledge sharing between projects. This unique solution is the basis of our development efficiency, and enables us to work on distinct projects, across genres, simultaneously.

Our world-class teams have collaborated with some of the most admired studios the games industry has produced, and in so doing have created games that are both critically acclaimed and commercially successful.

These teams are united by the values that form People Can Fly's DNA:

- **Candor:** the freedom and honesty to communicate openly;
- **Accountability:** of our decisions, ideas, and commitments to deliver on our promises;
- **Teamwork:** we believe that collaboration is essential to leverage our shared passion and that a diversity of perspectives always makes us stronger;
- **Relentlessness:** the courage to challenge the status quo and implement unique ideas.

HOW DO WE WORK?

As the Company has grown, changed and scaled up its product portfolio, PCF has implemented several different frameworks that represent industry best practices. For more than two years, the Company has adopted and adapted agile methods and practices that allow the Company to review the status and effect of work empirically, in progress, and in frequent iterations, allowing for effortless “in-flight” adjustments to scope or direction of work. The Company tailors its operations to fit each phase of game development.

In addition to linear structures, the Company has implemented project-based matrix structures oriented around so-called *Feature Owners* and *Feature Teams*. *Feature Owners* are empowered with implementing the key functionalities in the game. By spreading responsibility between talented developers, we are able to achieve pervasive attention to detail and high quality. Iteration is overseen by producers and experienced area directors with a development process that uses cadences: a unique method of iterative periods and events, that improves our ability to achieve milestones on time while mitigating risks.

WHAT HAVE WE ACHIEVED IN THE LAST TWO YEARS?

Two years after our IPO (December 2020), all short-term strategic goals we set have been achieved or exceeded. Investments made and competencies acquired now allow the Company to work simultaneously on several projects, while maintaining organizational independence between the development studios within the Group. PCF became one of the world's largest independent game studios with a track-record in creating AAA (Triple-A) game IPs.

- Successfully concluding work on the *Outriders* game and the *Outriders* expansion – *Worldslayer*.
- Successfully transitioning the family of PCF studios:
 - » from working on one game at a time, to developing multiple games in parallel;
 - » from a single creative team to multiple creative teams;
 - » by implementing modern games development methods and practices;
 - » by introducing *Centers of Excellence*.



- Strengthened a global network of PCF back office teams that support developer innovation based on a single goal – Serve the Aviators.
- Acquiring new development teams in the United States, Canada and Poland to expand our internal competencies and develop new projects:
 - » the development team of Chicago-based Phosphor Games, LLC;
 - » Game On Creative Inc., a mocap, animation, cinematics, and audio outsourcing studio;
 - » Incuvo S.A., a developer of games for virtual reality (VR) platforms.
- Opening new development studios in Kraków, Poland and Montreal, Canada.
- Opening up hybrid and remote-work models as the coronavirus pandemic transformed the industry. This approach allowed PCF to hire top-notch talent regardless of location to keep pace with our development needs.
- Expanding our Group's structures based on seven development studios (Warsaw, Rzeszów, Kraków, Katowice, Newcastle, Montreal and New York) allowing us to provide enhanced employee support in countries across North America and Europe.
- Leveraging the Group's proprietary IP, and executing a development and publishing agreement with Incuvo S.A. for a game for all major VR platforms.
- Continuing work on to further develop the *PCF Framework*.
- Strengthening People Can Fly's global brand as a leading, independent developer in the video game industry, and our reputation for top-notch AAA games.
- Commencing work on two entirely new projects. In addition to the *Gemini* and *Dagger* projects revealed in our IPO, *Project Bifrost* and *Project Victoria* are now in pre-production.
- Investigating opportunities in new segments of the entertainment industry, leveraging on the Group's brand and IP.



**WHAT'S
NEXT?**



WHAT'S NEXT?

WHERE DO WE GO FROM HERE?

Our dynamic growth, proven development strategies, accumulated experience, battle-hardened creative and development teams, along with the implementation of our *Centers of Excellence* and *PCF Framework* now mean we have the capacity to work on multiple ambitious projects simultaneously. We gladly accept this challenge, and are making a commitment to the gaming community and our investors to bring inspiring products to the market over the coming years.

We will continue to develop and release ambitious, innovative AAA and compact-AAA games in the shooter-game genre. However, we will also be expanding into other genres. A summary of these projects is included later in this report.

The Company will continue to collaborate on different projects with reputable partners using the work for hire model. Our strategy with respect to this activity remains unchanged. As commercially attractive proposals for cooperation present themselves, we will take full advantage of them. These arrangements provide financial stability for the Company, while giving us room to experiment, innovate and reap the benefits of successes when those projects breakeven.

At the same time, we believe that accelerating our self-publishing efforts will prove the most successful strategy in the long term. Since PCF's debut on the Warsaw Stock Exchange, we have developed and self-financed two projects of this nature: *Project Bifrost* and *Project Victoria*. Last year we also transitioned *Project Dagger* to self-publishing.

Compared with the work for hire model, self-publishing offers greater control over the development process, choices regarding monetization models as well as marketing and sales and distribution strategies. It also allows developers to retain a larger percentage of sales revenue. PCF plans to mitigate risk of self-publishing by diversifying its portfolio and developing multiple games simultaneously.

PCF's current portfolio is spread across a carefully chosen slate of game genres, target audiences, market potentials, game release windows, and monetization approaches. The Company has built up the knowledge, skills, and resources to successfully self-publish games. We are now ready to bring our games to gamers on our own.



WHAT ARE THE KEY PRINCIPLES OF PCF'S NEW STRATEGY?

• **STRENGTHENING THE SELF-PUBLISHING BUSINESS UNIT**

- Elevate People Can Fly's brand to new heights as a premier independent developer and publisher in the AAA and compact-AAA video game segment;
- Build, grow and interact with a dedicated engaged community of millions of players as a base for generating excitement around new PCF products;
- Grow Market Analytics and User Research functions within our self-publishing business unit to improve our understanding of gamers' desires and expectations throughout both development and the life cycles of our games;
- Develop six (6) games over the next four (4) years, leveraging all in-house development teams (specific details in the following section).

• **ALWAYS LIVE**

- The games in our self-publishing portfolio will use the Game-as-a-Service (GaaS) model (or the GaaS-ready model, where projects can become fully live games after initial release as stand-alone products), with an emphasis on player engagement and retention. This approach enables multiple monetization models that will be customized per project to fit the target audience and provide continuous and personalized gameplay experience for players over extended periods;
- The Company aims to extend its expertise to live online games, including both PvE (*Player versus Environment*) and PvP (*Player versus Player*) experiences. These will utilize both P2P (*peer-to-peer*) and dedicated server technologies. To achieve this, the Company plans to invest further in *PCF Framework*, *Online Backend Platform* and its GaaS cloud infrastructure, capable of supporting millions of concurrent players;
- The GaaS model will not only allow us to release games faster, but also provide continuous updates that will keep players engaged for years. This both improves player retention, and increases their life-time-value in each game as compared to traditional pay-to-play models;
- The GaaS model also allows for integration of community feedback throughout the development process, ensuring that games are tailored to meet the desires and expectations of the target audience. This not only optimizes games' potential, but leads to increased player engagement and retention.

• **MULTIPLE MONETIZATION MODELS**

- A variety of models will be implemented in the Company's self-published games;
- The traditional pay-to-play model, where the game is sold for a one-time fee through digital distribution and retail sales;
- Microtransactions, which allow games to be downloaded and played without any upfront cost, offering players options to purchase in-game items that customize and personalize their gameplay experience;
- Season Passes, a monetization model that offers players periodic access to additional content that over a specific period of time, typically a season, in exchange for a fee. Passes can be offered as one-time fees or as a subscription;
- Hybrid model, which combines two or more methods of monetization.



• **INCREASING DEVELOPMENT TEAMS AND DEVELOPING TALENT**

- To maximize the success of the games developed by the Group, the Company plans to expand its development teams, with an emphasis on recruiting and developing top-tier talent. The Company will continue to foster a unique organizational culture that prioritizes employee retention and satisfaction;
- An incentive program for key employees and contractors of the Group for the years 2023-2027 will allow eligible individuals to acquire shares without diluting the existing shareholders, with the size not exceeding 1,237,500 shares constituting 4.13% of the Company's current share capital, provided that, among other conditions, the Group generates a cumulative EBITDA of PLN 1.5 billion during that period. After exceeding 80% of the target cumulative EBITDA level, 50% of the offered shares will be allocated to eligible individuals while the remaining 50% of shares will be allocated along with the increase of the cumulative EBITDA, reaching 100% of the offered shares when the cumulative EBITDA target is achieved. These employee and contractor shares will be offered by the main shareholder. The price at which the shares will be offered will be the higher of: (i) the price for the offered shares on the date of allocating these shares to the eligible individual (understood as the date of signing the agreement between the eligible person and the main shareholder), (ii) the price per share for institutional investors under the IPO and (iii) the price per share determined for the purpose of the new share issue (see below);
- The main shareholder's lock-up period – except for shares earmarked for the incentive program or purchased after the IPO – is extended until the end of 2027 except for strategic and tender offer transactions.

• **INVESTING IN NEW SEGMENTS OF THE ENTERTAINMENT INDUSTRY**

- The Company intends to explore new business areas leveraging the Group's brand, expertise, and IP by investing in additional segments of the entertainment industry and transmedia.

WHAT GAMES ARE IN OUR STRATEGIC PORTFOLIO?

The Company is setting an aggressive development, marketing, and release strategy over the next five years, and has set a strategic goal of generating cumulative revenues of at least PLN 3.0 billion in the years 2023-2027.

Schedule update: In September 2021 we announced that PCF would release a new game each year starting in 2024. Since then, we have found it necessary to update our launch calendar due to delays stemming from the transition from Unreal Engine 4 to Unreal Engine 5. Making this transition is key to future-proofing our games in a competitive marketplace. While *Project Thunder* is set to launch in 2023, we do not currently plan to release any full, stand-alone game in 2024.

Note: the following descriptions of our games and plans for their development are intentionally kept to a minimum as necessary for marketplace protection.

PROJECT GEMINI

Genre: Undisclosed

Team Size: 200

IP: Undisclosed (owned by Square Enix)

Release Target: 2026

This AAA game is being developed by the Group in Europe in a work-for-hire model with the Group's long-time publisher, Square Enix Limited.



PROJECT DAGGER

Genre: Co-op Action Melee RPG

Team Size: 50 (current) to 140 (target)

IP: Undisclosed original IP

Release Target: 2025-2026

Financed entirely by the Company, this AAA-segment game is being developed by the Group in North America and represents the Group's venture into the action RPG genre, with new gameplay elements and storyline structures not previously used by the Group. This project will be self-published and is intended as the first in a new game franchise, and targeted at the new generation gaming platforms.

PROJECT BIFROST

Genre: Online Shooter

Team Size: 70 (current) to 150 (target)

IP: Undisclosed original IP

Release Target: 2025-2026

This AAA online shooter is being developed by the Group in North America. As an internally financed and self-published live game this team will grow post launch as the game achieves its KPIs.

PROJECT VICTORIA

Genre: Multiplayer Survival

Team Size: 30 (current) to 120 (target)

IP: Undisclosed original IP

Release Target: 2025-2026

This AAA multiplayer survival game is being developed by the Group in North America. Internally funded and published, the team for this live game will grow post launch as the game achieves its KPIs.

PROJECT RED

A compact-AAA segment game being developed by the Group in Europe which, on the date of this document, is at the Concept/Ideation stage.

PROJECT THUNDER

The game is being developed by the Group's subsidiary, Incuvo S.A. The project is in the development phase and is based on one of the Group's IPs.

The game development is financed entirely by the Company and is intended for release in the self-publishing model. The game is scheduled to be released till the end of 2023.

GREEN HELL VR

The game is a VR adaptation of the Creepy Jar S.A.'s popular PC and consoles survival open-world game *Green Hell*, and is being developed by the Group's subsidiary Incuvo S.A. The game was released in April 2022 for the Oculus Quest 2 platform and in June 2022 for PC, followed by the Oculus Rift platform release in July 2022 and the Pico platforms in October 2022. The game is slated for release on HTC hardware platforms in or around April 2023, as well as on Sony NGVR goggles for the Sony PlayStation 5 console, by the end of 2023.



NEW STRATEGY: FINANCIAL REQUIREMENTS

In order to cover expenses related with the new strategy, the Management Board plans to raise funds from a new issue of shares in the amount of approximately PLN 205 million to PLN 295 million.

The resources obtained from the new issue of shares will be allocated in full towards increasing the size of our production teams to appropriate production levels for *Projects Dagger, Bifrost and Victoria*. The funds obtained from the new issue of shares together with (i) the Company's own cash, (ii) operating funds generated by the Company and (iii) other available sources of financing, which will not dilute shareholder ownership, will allow implementing the new Group strategy. At the same time, as of the date of this document, the Management Board does not envisage recommending a payment to the Company's General Meeting dividends until the Company achieves revenues, profits and positive income cash flows from planned self-publishing activities, i.e. no earlier than in relation to the profits generated for the financial year 2025.

In this regard, the Management Board plans to convene an Extraordinary General Meeting of the Company and increase the Company's share capital through the issuance of ordinary bearer shares, with the existing shareholders' pre-emptive rights to subscribe for the new shares fully excluded.

The final amount of the net proceeds from the issue of new shares will depend on the final number of new shares allotted under the offering, the final issue price or prices of the new shares and the total amount of the offering costs incurred by the Company.

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