

2016 Annual Results



IGG Inc. March 2017



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- 
- **Company Overview**
 - **Business Review**
 - **2016 Annual Financial Review and Prospects**

2009



2013



2016

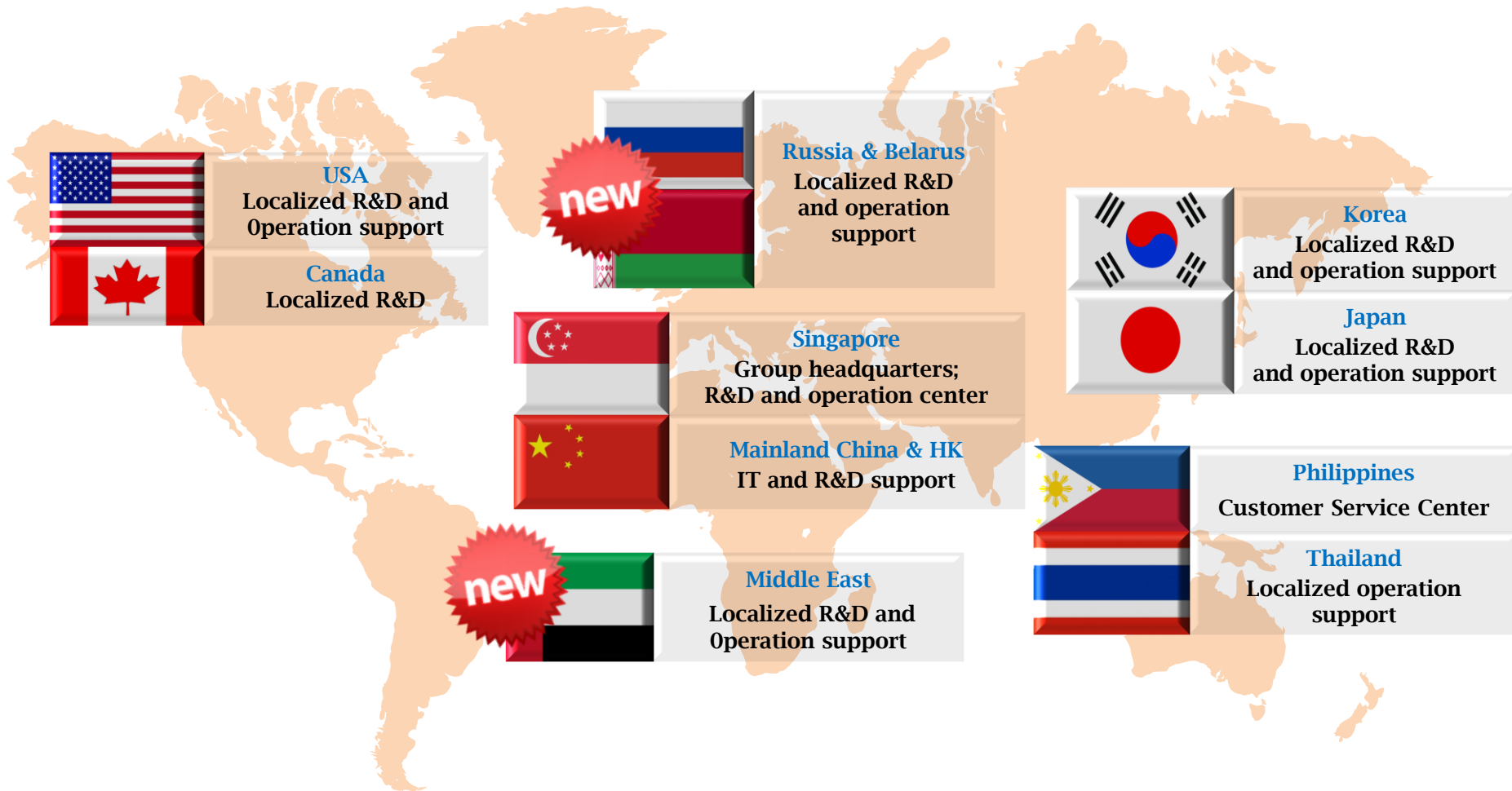


App Annie, an authoritative third-party released “Top 52 Publishers of 2016”

2016: IGG ranked 27th

2015: IGG ranked 34th

Global Branches



- **Company Overview**
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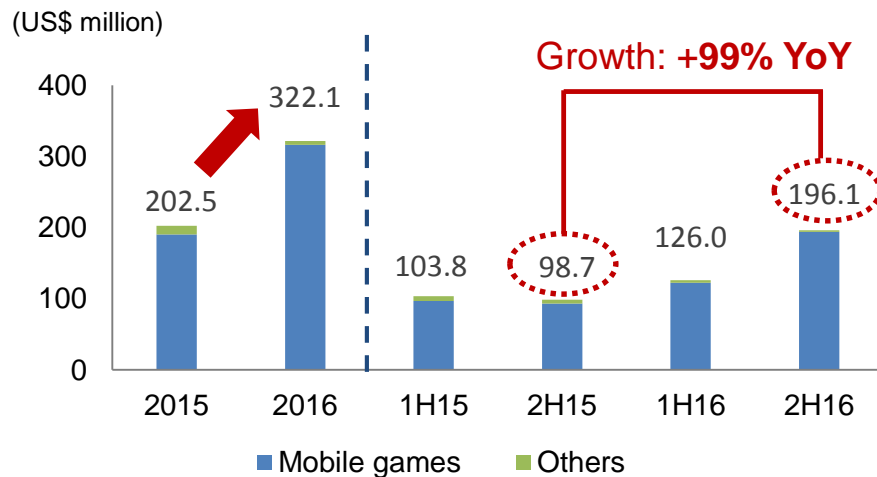
- **Lords Mobile**

- ✓ 5th month : monthly gross revenue of US\$10M
- ✓ 8th month : monthly gross revenue of US\$20M
- ✓ 10th month : monthly gross revenue of US\$30M

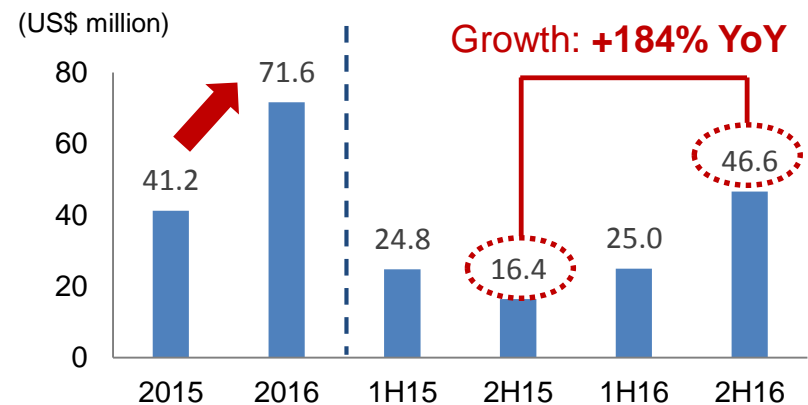
- **Revenue and Net Profit hit record high**

- ✓ Revenue: **US\$322.1M**
- ✓ Net Profit: **US\$71.6M**

2016 Revenue Growth: 59% YoY



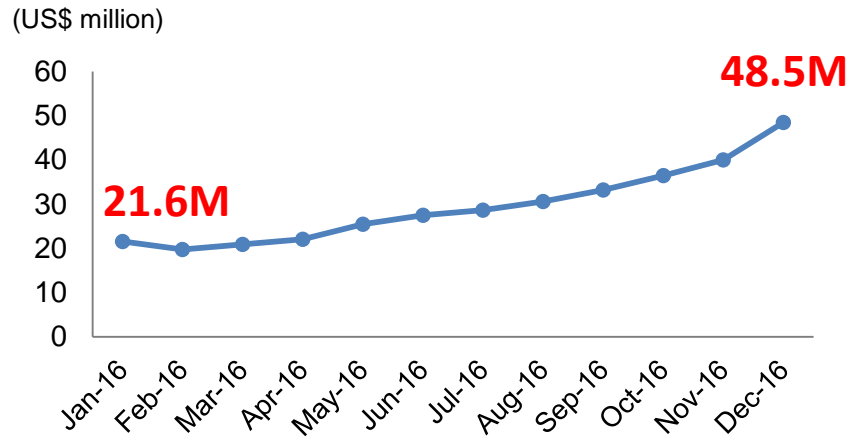
2016 Net Profit Growth: 74% YoY



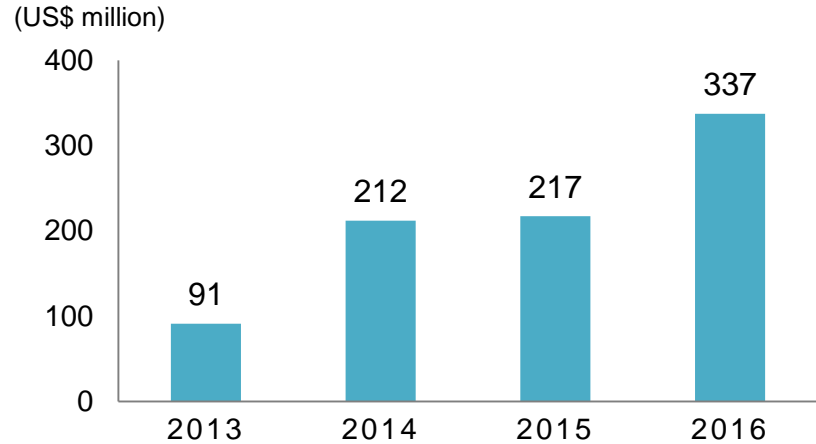
Trend of Historical Gross Revenue



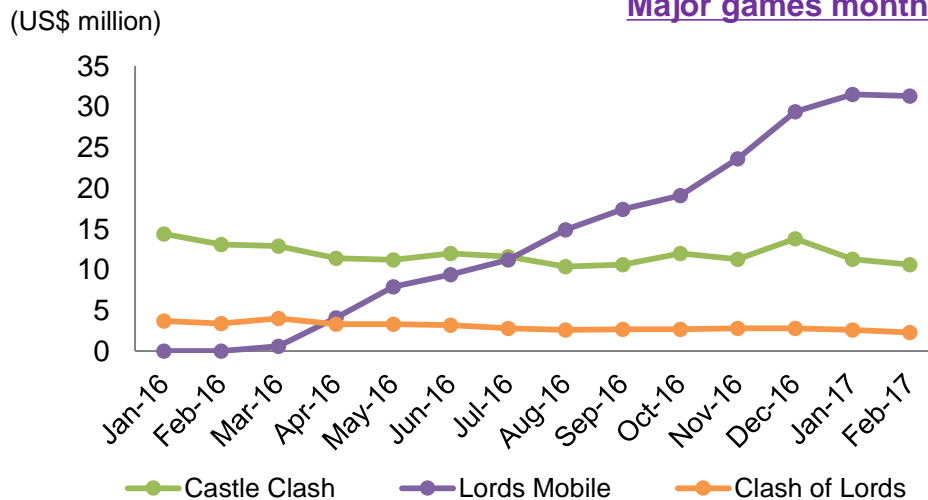
Trend of IGG's monthly gross revenue



Trend of IGG's annual gross revenue



Major games monthly gross revenue trend

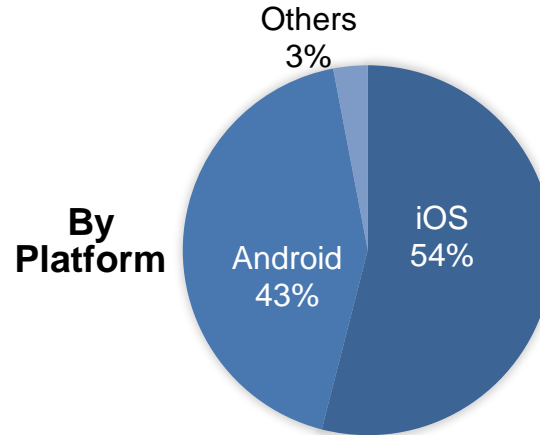


- Lords Mobile:** rapid growth since launch in Mar. 2016, monthly gross revenue surpassed US\$31M in Jan. and Feb. 2017
- Castle Clash:** avg. monthly gross revenue of US\$12M, and recorded nearly US\$14M in Dec. 2016
- Clash of Lords:** avg. monthly gross revenue maintained at US\$3M

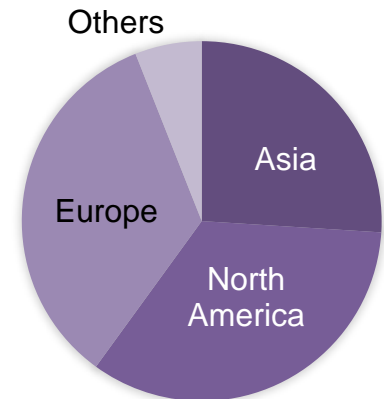
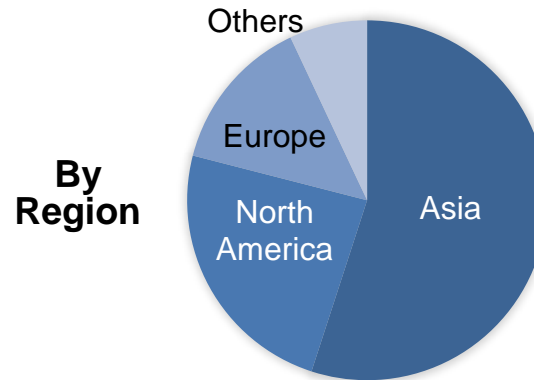
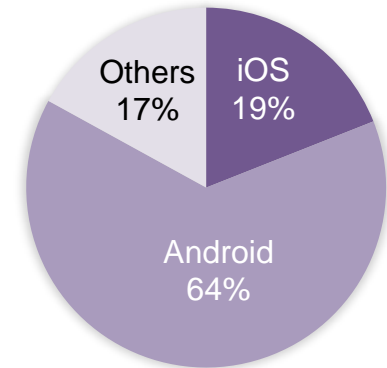
Lords Mobile achieved three significant breakthroughs:

- **World Bridging:** the Group's first cross-platform, multi-language, global mega-server game.
- **iOS Momentum:** revenue from iOS made up over 50% of the game's total revenue, compared to 19% for IGG's other games.
- **Strong Asia Contribution:** over 50% of the game's revenue came from the fast-growing Asian market.

Lords Mobile



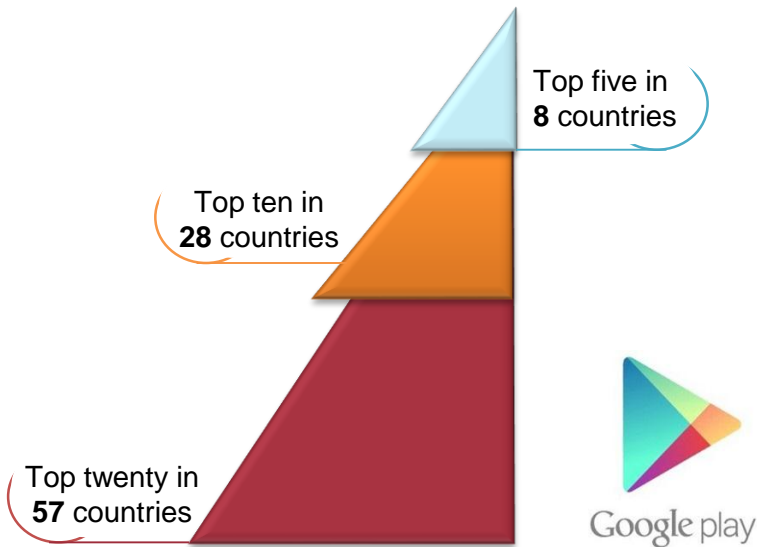
Other Games



Note: gross revenue in region and platform in 2016



Monthly gross revenue ranking of new blockbuster Lords Mobile as of March 20, 2017



Ranking source: App Annie



- Lords Mobile: **Most Competitive Game of 2016** on Google Play in 73 countries



Lords Mobile

RTS/RPG Game

-
- Launched in March 2016
 - Available in 16 languages
 - Registered users: 25mn
 - MAU: 4mn



Castle Clash

Strategy Game

-
- Launched in July 2013
 - Available in 15 languages
 - Registered users: 176mn
 - MAU: 9mn



Clash of Lords II

Strategy Game

-
- Launched in Dec. 2013
 - Available in 12 languages
 - Registered users: 56mn
 - MAU: 1.6mn

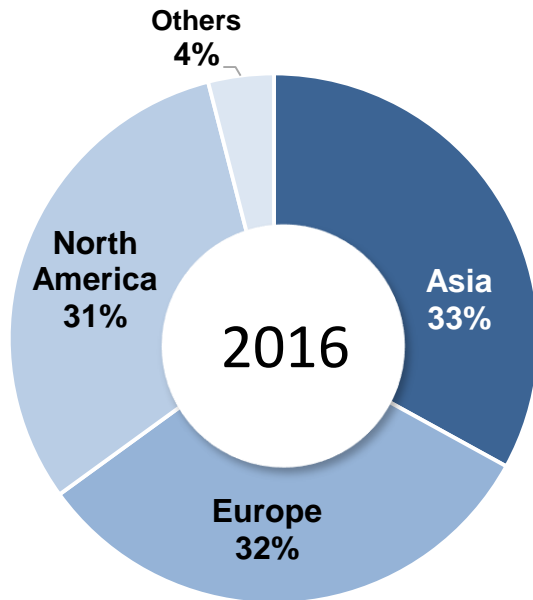
* Data as of Dec. 2016.

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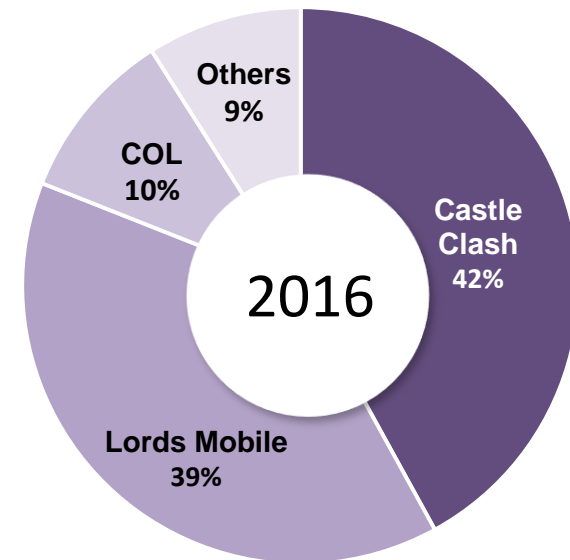
2016 Financial Highlights

(US\$ mn)	1H15	2H15	FY15	1H16	2H16	FY16	YoY Change
Revenue	103.8	98.7	202.5	126.0	196.1	322.1	159%
Gross profit	72.0	68.5	140.5	88.6	130.3	218.9	156%
Gross profit margin (%)	69%	69%	69%	70%	66%	68%	-1ppt
Net profit	24.8	16.4	41.2	25.0	46.6	71.6	174%
Net profit margin	24%	17%	20%	20%	24%	22%	+2ppt
EPS (basic, US\$ cents)	1.8	1.2	3.0	1.9	3.4	5.3	177%
Cash and cash equivalents	173.1	185.5	185.5	158.7	184.1	184.1	

Revenue breakdown (by region)



Revenue breakdown (by game)



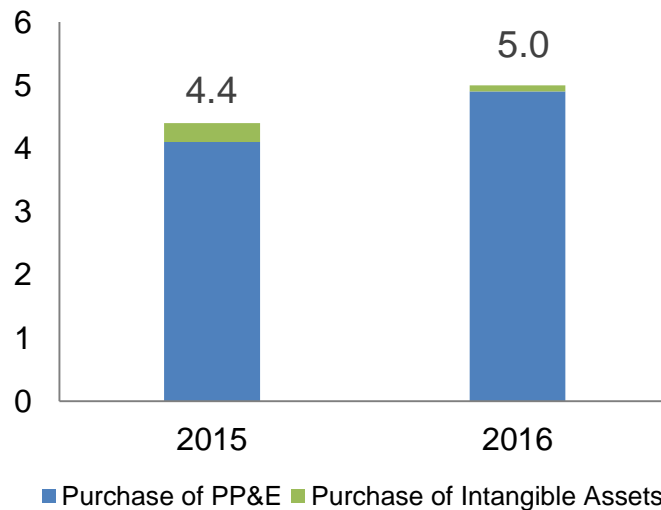
- Diversified revenue contribution, mainly generated from Asia, Europe and North America.
- IGG generates revenues in more than 200 countries and regions.

2016 Cost Analysis

	FY15	FY16	Change	Remarks
Gross profit margin	69%	68%	-1 pts	<ul style="list-style-type: none"> Higher mobile game channel costs.
Selling & distribution exp.	\$41.7M	\$80.1M		<ul style="list-style-type: none"> Increase in marketing expense for the new title "Lords Mobile".
% of Revenue	21%	25%	+4 pts	
Administrative exp.	\$21.8M	\$23.6M		<ul style="list-style-type: none"> Due to the increase in wages and benefits from team expansion, and increase in office setup costs. Admin. exp./revenue ratio dropped because of significant revenue contribution from "Lords Mobile" and "Castle Clash".
% of Revenue	11%	7%	-4 pts	
R&D cost	\$26.9M	\$36.0M		<ul style="list-style-type: none"> Mainly due to increases in salary, bonus and outsourcing expenses. R&D exp./revenue ratio dropped because of significant revenue growth.
% of Revenue	13%	11%	-2 pts	
Net profit margin	20%	22%	+2 pts	<ul style="list-style-type: none"> Robust revenue growth

Capital Expenditures

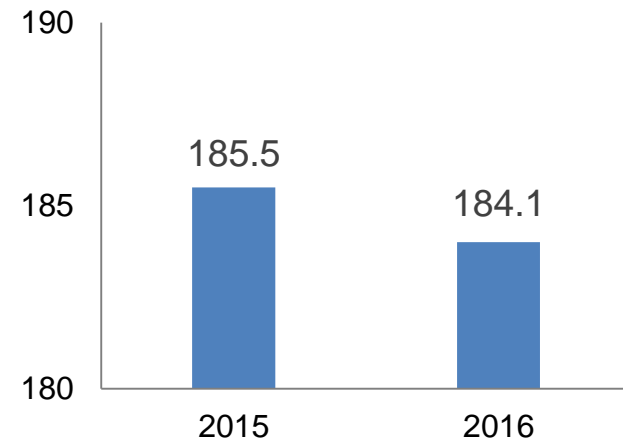
(US\$ million)



- Low capex
 - ✓ 2016: 2% of total asset
 - ✓ 2015: 2% of total asset

Cash & Cash Equivalents

(US\$ million)



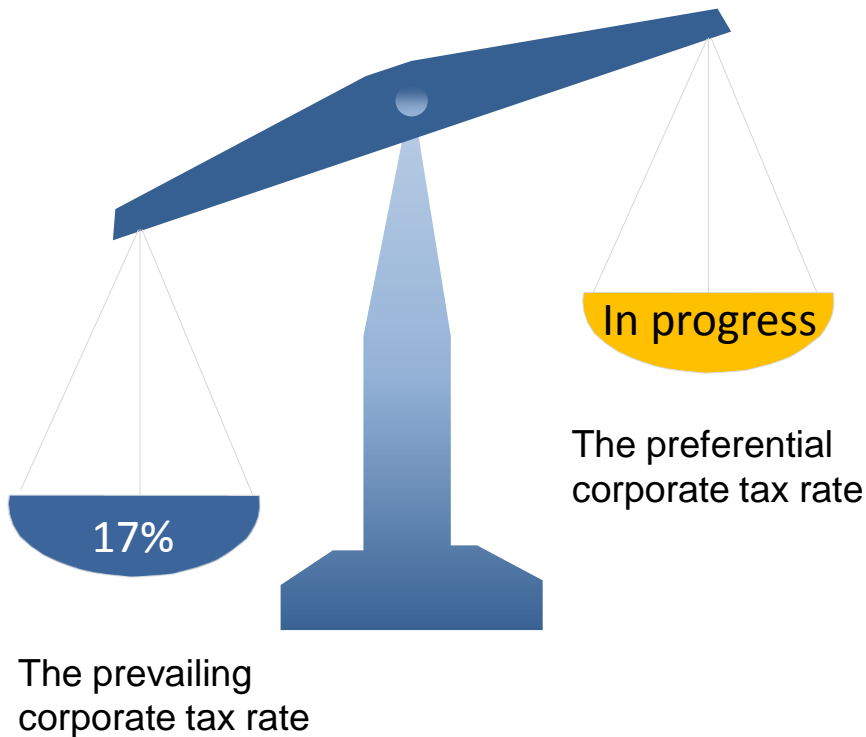
- Share buyback expense: US\$25.6M in 2016
- % of issued shares: ~3.9%
- Dividend payment: US\$37.5M in 2016

	Dividend Type	Dividend per share (US\$, cents)	Total amount (US\$, million)	Dividend payout ratio (% of net profit)	Payment Date
2016	1 st interim dividend	0.6	7.5	30%	Sep. 27, 2016
	2 nd interim dividend	1.0	14.0	30%	Apr. 25, 2017
	Special dividend	0.7	9.3	20%	Apr. 25, 2017
	Total (full year)	2.3	30.8	43%	

- 2nd interim dividend of 2016 accounted for 30% of 2H16 net profit; special dividend accounted for 20% of 2H16 net profit, total accounted for 50% of 2H16 net profit.
- The future dividend payout ratio will be formulated in consideration of the Group's profitability and funding need for M&A.



IGG Singapore

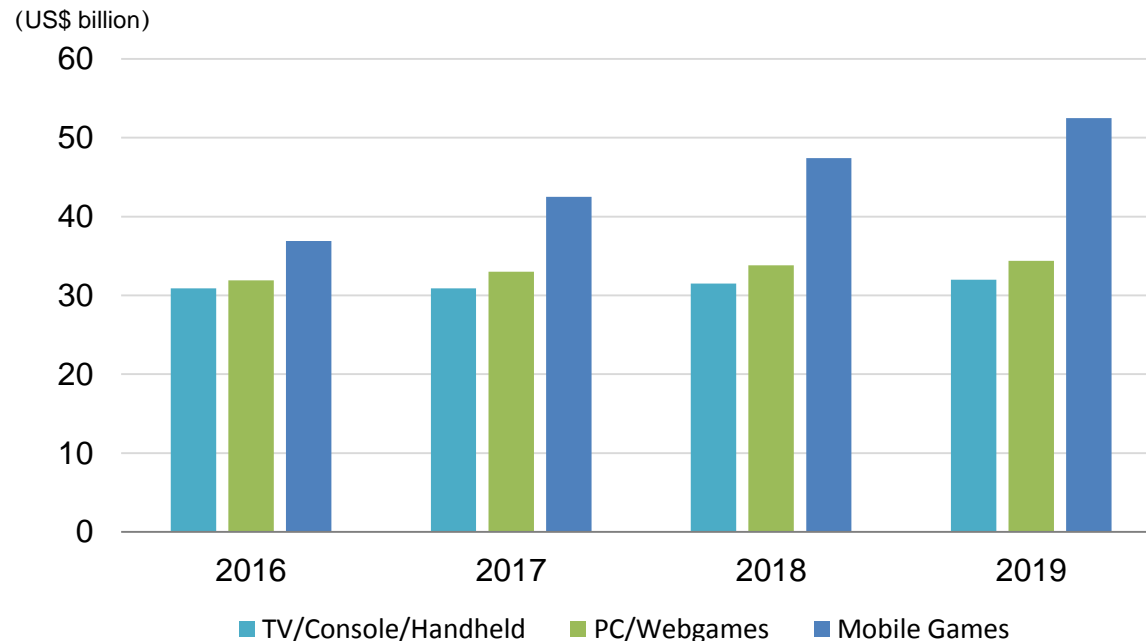


- 99% of total revenue was recognized through IGG Singapore in 2016, with the preferential tax rate of 5% covering from 2010-2016.
- IGG Singapore is in the process of applying for extension of preferential tax treatment. A new preferential corporate tax rate is expected to obtain within 2017.



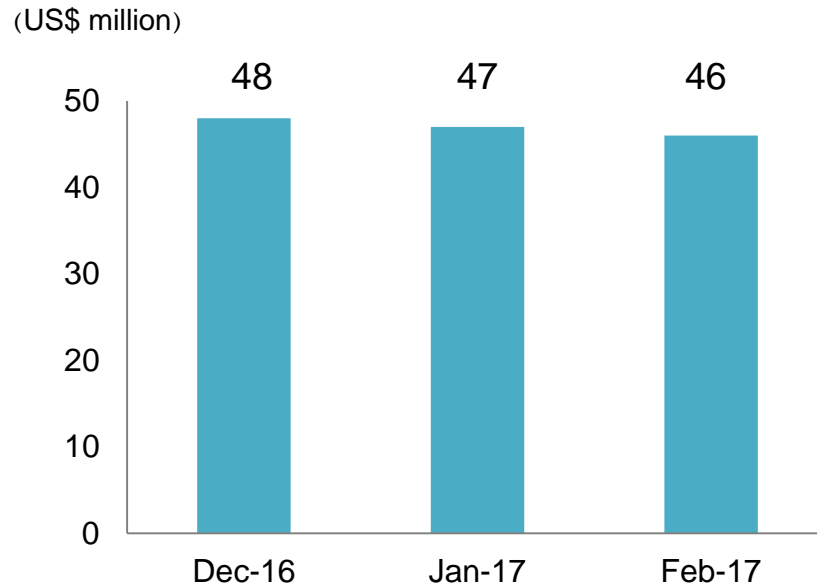
- The global games market reached at US\$ 99.6bn in 2016 and is expected to grow to US\$ 118.6bn by 2019.
- From 2016 to 2019, the expected CAGR of Mobile games, PC/Webgames and TV/Console/Handheld is 13.1%, 2.5% and 1.2% respectively.

Global Games Market Overview

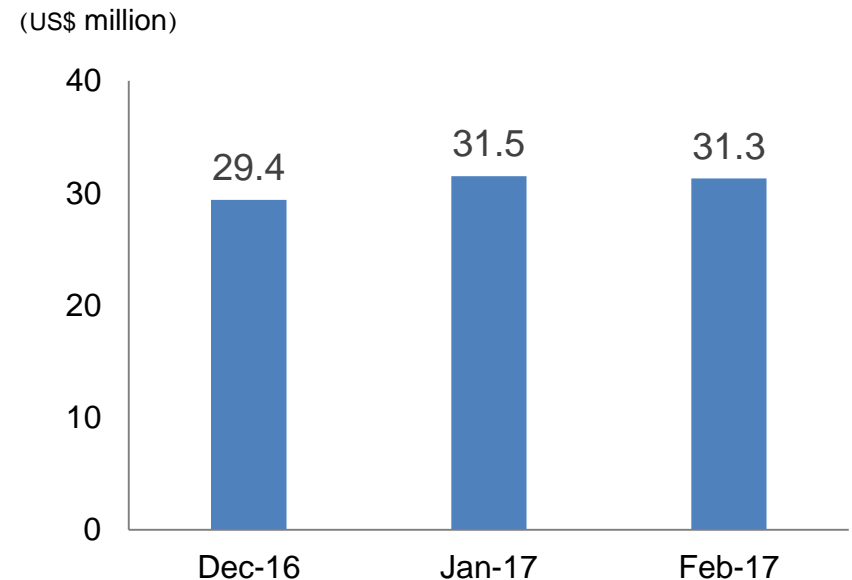


Source: Newzoo Global Games Market report, 2016

Gross Revenue of IGG



Gross Revenue of Lords Mobile



Dec. 2016 Net profit of ~US\$15M
Net profit margin (over revenue) of ~34%



R&D Plan

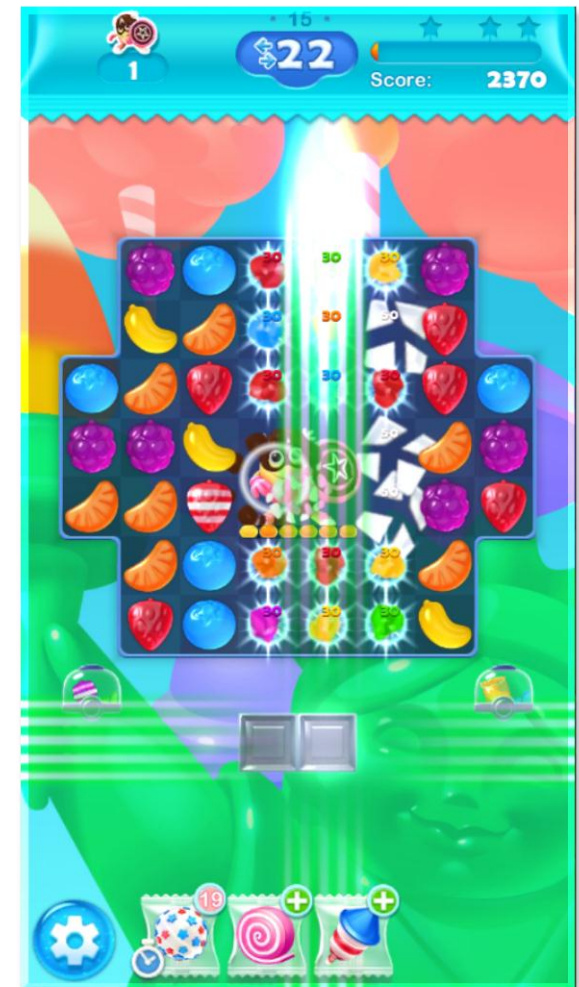
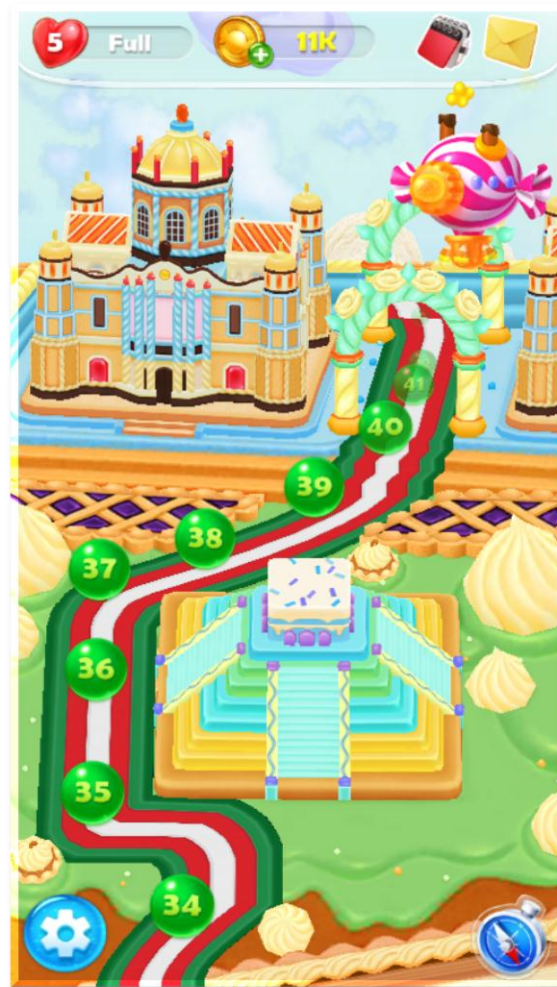
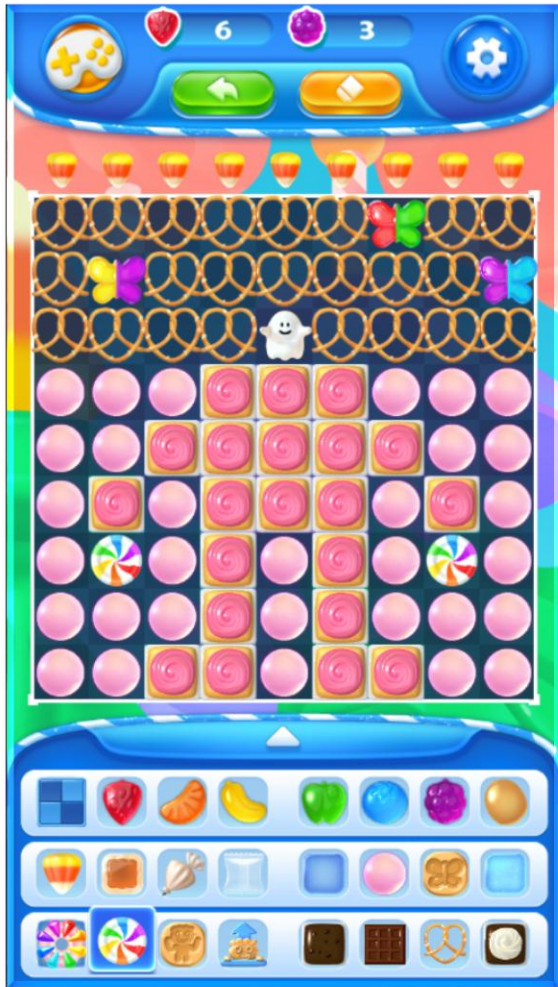
- ✓ IGG Inc. continues to focus on quality, innovation and excellence;
- ✓ Constantly refine game features of *Lords Mobile* and *Castle Clash*;
- ✓ Games under development: strategy games, tile-matching game and casino game;
- ✓ The Group pays close attention to new trend and tech, such as augmented reality (AR), location-based service (LBS) and etc.

Operation and Marketing

- ✓ Continue to promote *Lords Mobile* globally to extend our reach;
- ✓ Build local teams to tailor campaigns for each market segment;
- ✓ Diverse approach in marketing strategies: extending beyond online advertising to new channels and media, including offline events, TV advertisements, print media, live streaming platforms, and social media influences.



Tile-matching game



New Title – Glory of World

War strategy game with post-apocalyptic theme



New Title – Glory of World



New Title – Glory of World



Sandbox game



New Title – TUG



New Title – TUG



War strategy game with post-apocalyptic theme

Garage 1000M

Heavy I
195/300

Total Repair: 900/2500

150/225 30/110 30/110

Oil 25/1,000 ✓

Energy 25/15 **Get More**

Food 50/2,000 ✓

Repair 00:20:32 **Queue All** **Repair 1000**

[PlayerName_1]: hey I like this game a whole lot
[PlayerName_2]: hooray for this game!!!!!! ^.^

MAP QUEST ITEMS GLOBAL ALLIANCE MY FEED

Deploy Mission

1,225 2,234 2,221 3,333 2,221

AI Pacino
Damage Dealer

6 2

Position

1,225 II 2,234 III 2,221 IV 3,333 V Tier II 1,000

Clear **Add**

Battle Victory 1000M

VICTORY

02/05/16 09:20:30

[VIP3] [AVG] Peter Parkerr You **POWER+22.2k**

[VIP3] [JUS] Clark Kentttt Enemy **POWER-22.2k**

X:123 Y:456 X:190 Y:350 X:345 Y:678

Spoils of War

+7777 +7777 +7777 -1234 -4321

Battle Summary

Total Units	82.5 k	Total Units	82.5 k
Damaged	27.5 k	Damaged	27.5 k
Destroyed	27.5 k	Destroyed	27.5 k
Survived	27.5 k	Survived	27.5 k

Post to Feed

[PlayerName_1]: hey I like this game a whole lot
[PlayerName_2]: hooray for this game!!!!!! ^.^

MAP QUEST ITEMS GLOBAL ALLIANCE MY FEED

New Title – Madlands

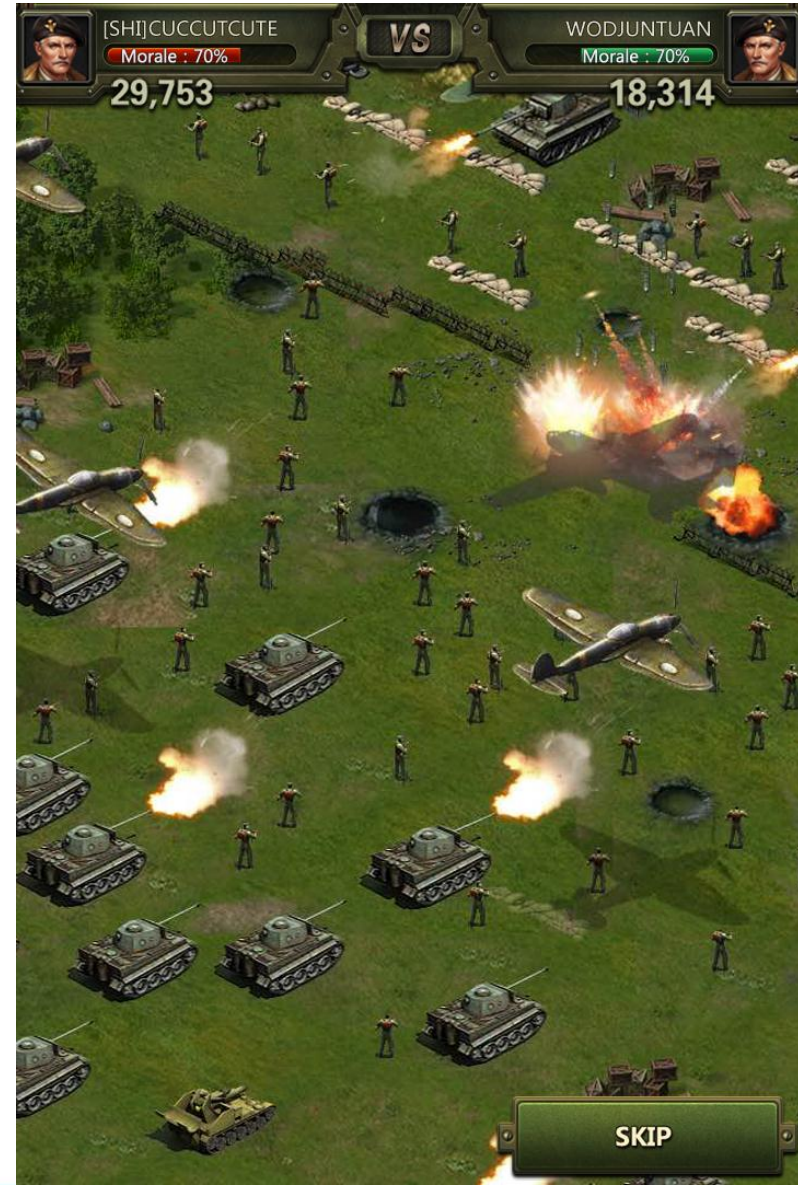


New Title – Madlands



New Title – Battle Mobile

**Military-
themed
strategy
game**



New Title – Battle Mobile



New Title – Galaxy Online III

BATTLE SHIP



Real-time strategy game with space theme

New Title – Galaxy Online III



New Title – Galaxy Online III





Thanks!

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