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EMBRACING CHANGE



The games industry has always experienced, and driven, significant change, adaptation and evolution over its many decades within the wider entertainment industry. I believe it's that long experience and expectation of change that has allowed the games industry to deal positively with the challenges from the coronavirus pandemic, that has created so much disruption and change to the world in the last 18 months.

At Frontier we had grown used to our teams working together closely in the same physical space to create amazing, complex and immersive game experiences for our communities of players. In March 2020 this quickly changed to almost 100% home working – we changed our long-established processes dramatically, with our teams continuing to connect and collaborate with each other, but through video conference calls and other sharing tools.

I am proud of how well everyone has made the best of the change in our working arrangements, and we know that for some people it has provided them with greater personal flexibility while also allowing greater focus on individual tasks with task-based working hardly affected. For other things, particularly when people work together as a creative group, we have found there is no substitute for collaboration within the same physical space. On our large and complex projects, which regularly require a lot of teamwork to identify and overcome technical and creative challenges, human interactions work better face-to-face.

There is also the challenge of training and mentoring staff, and enabling everyone to establish new working connections while maintaining their existing ones – team building at its core. Learning by osmosis has always been a very important element of the development of our people alongside more structured training, particularly for our graduates and more junior staff, but also for new joiners at all levels. Needless to say, attempting to learn by osmosis through Teams or Zoom calls during the pandemic has been less than ideal.

We will soon be starting a trial period of a hybrid working model which is a blend of studio based working and remote working which we hope will deliver the best of both worlds: the benefits of home working combined with the physical collaboration opportunities that working together in the studio delivers.

Our excellent team continues to grow, increasing 22% during FY21 to 634 as at 31 May 2021 (31 May 2020: 520). By 31 August 2021 we had further expanded to 680 people, and we continue to recruit talented individuals to nurture our existing portfolio and support our roadmap of future titles. We have successfully added well over 200 people to the team remotely during the extended period of home working over the last 18 months, which is a testament to the efforts of our managers and our onboarding process.

OUR PORTFOLIO

FY21 saw the announcement (in June 2020) and release (in May 2021) of *Elite Dangerous: Odyssey* on PC, our most ambitious development project to date: the addition of first-person on-foot gameplay into our 1:1 galactic simulation of the whole Milky Way. This meant bringing the human scale to a galaxy nearly 100,000 light years across. Completing this large and complex expansion without the benefits of face-to-face collaboration was challenging, and despite a successful alpha period, unfortunately the launch was hindered by connectivity issues, and this turned the positive reception of the alpha to one of negativity. Despite its initial challenges, hundreds of thousands of players are enjoying the experience. I am delighted with the underlying achievement by our team, and remain confident that more and more players will upgrade to *Odyssey* over time as we continue to refine the experience.

Our releases in FY21 related to existing games, which is a great illustration of our model of nurturing genre-leading game franchises post-launch. I have already mentioned the ambitious *Odyssey* expansion for *Elite Dangerous*, and our other three successful game franchises delivered new content too; *Planet Zoo* saw three new PDLC packs during the financial year alongside free updates; *Planet Coaster* came to console with *Planet Coaster: Console Edition* for the Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5; and *Jurassic World Evolution* benefitted from a major new platform launch in the period, with *Jurassic World Evolution: Complete Edition* coming to Nintendo Switch. I am delighted that our post-launch support model continues to support both our players and our investors, with a record revenue performance delivered in FY21 from our four existing successful franchises.

Turning to our future releases, I am really excited about our roadmap of future releases. We have been working on *Jurassic World Evolution 2* for around two years, and so it was a lovely moment to reveal the news in June 2021 that we would be releasing a sequel to our best-selling game to date. It's now in its final stages of development and will be released into the wild on 9 November 2021. With our annual Formula 1® management game series starting in calendar year 2022, and our first ever real-time strategy game which utilises *Warhammer Age of Sigmar* IP a little further out, I think it's fair to say that we have our strongest ever release line-up, supported by our strongest ever existing portfolio. Looking further out into 2023 and beyond, I am delighted to say that we continue to have even more great game opportunities.

FRONTIER FOUNDRY

Frontier Foundry is our own games label for third-party publishing, which leverages our publishing capability, industry experience, commercial partnerships, and financial resources to supplement our own development roadmap by partnering with other high-quality developers to bring more games to market. We take a developer-led approach to publishing, benefitting from our long and varied experience of a being a developer under a variety of different business models. Our approach is resonating well with potential partners, and we are delighted with our future line-up, with six great titles scheduled from six different teams, including at least three titles coming in this financial year. This makes FY22 an important year for Frontier Foundry, as it builds to become a material part of our overall business.

STRATEGIC REPORT OUR INDUSTRY

The coronavirus pandemic has been an interesting time for the games market. Lockdowns around the world helped to boost demand for digital entertainment, and the gradual transition towards interactivity within the wider industry that started long ago, with younger age groups in particular giving video games as their top chosen source of entertainment, has accelerated under coronavirus. As expected, there is evidence that a good proportion of this extra demand came from new players in addition to existing ones. For Frontier, the immersive and stimulating nature of our games has, we hope, provided enjoyment to a larger and more diverse audience who will stay with us for the long term, supported by our nurturing approach to our games post-launch.

Through these challenging times the games industry has further cemented its number one spot as the largest sector within the \$300+ billion entertainment industry, which includes games, film, TV and music. While we are often associated with PC games, we have a strong track record of success on multiple platforms, as illustrated by our launch of *Planet Coaster* on both old and new generation PlayStation and Xbox consoles in November 2020. Our platform successes in FY21 extended to Nintendo Switch with our first titles releasing in the period, notably with *Jurassic World Evolution: Complete Edition* which also released in November 2020.

Chief Executive's statement continued

STRATEGIC REPORT CONTINUED

OUR INDUSTRY CONTINUED

Our main development focus remains on rich, engaging cinematic experiences on PC and console, as the audiences on these platforms greatly value games exhibiting Frontier's key development strengths of compelling gameplay and high production quality. Currently, the mobile sector is overcrowded and has a very low barrier to entry, making audiences less predictable and much less influenced by quality. 'Discoverability' (the ability to find a title) is also better on PC and console, with excellent support from reviewers, content creators, influencers and social media.

New business models, namely the rise of subscriptions and streaming services, have been prominent in the last few years. We have participated successfully with subscription models like Microsoft's Games Pass and we'll continue to consider all commercial opportunities that best expand our audience while delivering strong returns for our development efforts. We are pleased to have added the Epic Games Store as a platform partner in the last 18 months, with both *Elite Dangerous* and *Jurassic World Evolution* featuring as part of Epic's free games weeks, delivering incremental base game revenue in addition to substantial audience expansions which benefits PDLC sales. Streaming services for games have not yet gained much traction, likely held back by technical considerations and player inertia, but we'll continue to consider these opportunities as they arise.

The entire games market is moving rapidly towards digital download as the primary delivery model, and this transition has almost certainly been further accelerated by the coronavirus stay-at-home restrictions from March 2020 onwards. Mobile and PC have been close to 100% digital for several years, and the console audience is quickly catching up, as focus shifts to the new generation of hardware, and older business models are replaced. Digital sales represented 96% of Frontier's revenue in FY21, with only 4% from sales of physical discs (FY20: 3%).

Our particular focus on 'Launch and Nurture', which is effectively a 'games as a service' model, is working very well, producing four successful titles so far, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

OUR VISION

Our vision for Frontier is to become one of the most respected entertainment companies in the world. As the boundaries between the different entertainment mediums continue to blur, Frontier is in a great position to lead the evolution and the merging of those mediums. As a leading developer and publisher of high-quality sophisticated and immersive game experiences, the foundations for achieving our vision are strong. We have a sustained and diverse track record of success in both development and publishing, we have strong relationships with platforms and IP owners and have become a trusted and go-to partner for major global IPs, and we nurture our games and our player communities over many years to achieve continued success.

In the medium term we are focused on continuing to support and grow our game portfolio, which includes both our own internal developments and our partner developments under our Frontier Foundry games label. Meanwhile, we continue

to expand our existing relationships and add new ones within the wider entertainment industry, to support our longer-term vision of being a key player in digital entertainment.

If you look back ten years and imagine listing what you thought the top dozen most respected entertainment companies would be in 2021, it is likely even those in the industry would only get about half of them right (failing for example to include companies like Amazon, Netflix and Tencent). The industry now is pretty well unrecognisable from what it was then. Similarly, in ten years' time the entertainment industry will again be unrecognisable from where it is now, as will Frontier, but our goal is to be on that list.

OUR STRATEGY AND BUSINESS MODEL

We believe that publishing our own games, and selectively those of other high-quality development studios, is the best way to maximise the benefit of our core skills, our assets and our COBRA game development technology platform. The Company's focus is on identifying, developing and delivering top-quality titles with long play times.

We will continue to follow our repeatable model to support our games over many years with new releases and updates, and to create further titles in underserved game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences. Frontier's games take a long time to fully master, so yield longevity and great value for players. This longevity and loyalty of our great communities should help further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through successfully publishing a growing number of game franchises. Our strategic focus is on two key areas:

- developing our business to achieve repeatable success; and
- creating and managing game franchises.

We continue to grow our teams so that we can continue to support our existing games while also increasing the frequency of major new releases. The increase in the number of releases supporting our existing games, such as major PDLC launches, helps to smooth revenue, but major releases of new games are still a significant factor in the revenue stream. As we scale the frequency of new game releases over future years, this will have a smoothing effect on growth, but in the meantime revenue is sensitive to the specific schedule of such releases and may therefore exhibit 'stepped' behaviour across financial years, as those new games are released. In FY21 we were delighted to achieve record annual revenue without a new major release – all of our revenue came from existing game franchises. In FY22 we expect a major step-up in total revenue through the launch of *Jurassic World Evolution 2*, on top of the significant ongoing contributions from our existing portfolio.

We are growing our portfolio, and consequently we are increasing our development team to enable us to support additional games while generating new content for our existing titles. We will continue to grow our resources and capability to enable us to scale-up the number of major releases we are able to deliver each year. This will not require us to increase our workforce linearly because supporting an existing title typically requires fewer staff than creating a new one.

As stated in the Group's previous Annual Reports and other communications, in addition to the current core model of using internal resources, supplemented by outsourced services, the Group will continue to explore other opportunities to accelerate its scale-up.

Frontier Foundry, our own games label for third-party publishing first announced in June 2019, continues to grow, with six titles signed for future release, including at least three in FY22. We are looking to achieve at least four releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.

We will also continue to explore opportunities for commissioning (outsourcing the majority of development of Frontier games to other developers) and enhancing the Group's franchise portfolio or capabilities via acquisitions. The Group has considered a number of possible acquisitions, but so far none has met our valuation, product alignment and culture fit thresholds.

DAVID BRABEN FOUNDER AND CEO

8 September 2021



CURRENT TRADING AND OUTLOOK

Our existing game franchise portfolio continues to perform well. Engagement with our *Elite Dangerous* player community is gradually improving, and we remain confident that more and more players will upgrade to *Odyssey* over time as we continue to improve and refine the experience. We continue to see strong sales of *Planet Zoo* (supported by new PDLC), *Planet Coaster* and *Jurassic World Evolution*, illustrating the benefits of our multi-franchise launch and nurture model.

Our biggest launch in FY22, *Jurassic World Evolution 2*, will release on 9 November 2021, and we expect it to deliver a strong performance over the Holiday season (Thanksgiving and Christmas). In FY22 we'll continue to support all of our existing titles. In particular, *Planet Zoo* will benefit from engaging new PDLC content; we already have seven popular packs with the *Africa* pack the latest to be released in June 2021, at the start of FY22. Frontier Foundry will deliver at least three new releases in FY22, with *Lemnis Gate*, *FAR: Changing Tides* and *Warhammer 40,000: Chaos Gate – Daemonhunters* all announced for release in this financial year.

Based on the anticipated ongoing performance of our existing portfolio, combined with an exciting new release schedule for FY22, the Board's projected revenue range for FY22 is £130 million to £150 million, implying an annual growth rate of 43% to 65% above the record revenue reported for FY21.

Looking further out, for FY23, the Board's projected revenue range is £160 million to £180 million, based on the anticipated performance of our current and future game franchises, together with a growing contribution from our games label for third-party publishing, Frontier Foundry.