Apple X Epic
Quarterly Business Review: June 2020
AGENDA

- State of Epic & Fortnite
- Fortnite Roadmap
- Epic’s Strategic Priorities
Epic Portfolio and 2020 Strategic Priorities

Social Entertainment Platform
- **Fortnite**: The Largest Game in the World
- **Houseparty**: The Face to Face Social Network
- **Psyonix**: Creators of Rocket League

Content Creation Ecosystem
- **Unreal Engine**: Leading AAA Gaming Engine
- **Epic Game Store**: PC Digital Store and Publisher
- **Epic Online Services**: Gaming Services and Software

**Epic Games 2020 Priorities**

1. **Fortnite**: Return to growth mode
   - Go beyond Battle Royale - open world simulation sandbox
   - Fortnite as a platform - Creative mode, Party Royale, Rocket League
2. **Epic Game Store**: Become a viable primary game store (not just a destination for exclusives)
3. **Epic Online Services**:
   - Support major third-party game launches on EGS + console
   - Become #1 online service choice for independent developers
   - Grow accounts (currently 350mm) & social graph (currently 2.5bn friend connections)
4. **Unreal Engine**:
   - Demonstrate graphics, physics, open world dominance for next-gen PlayStation, Xbox
   - Build next-gen digital content library and scanning pipeline (3Lateral, Quixel)
   - Grow market share in key verticals: virtual production (film / TV) and architecture through Twinmotion

Apple portfolio and strategic priorities: store, music, games? What do you see on your platform that drives engagement?
iOS 2018 - 2020 Recap

Return to revenue growth in 2020 by partnering with Apple on the following initiatives:

1. Mobile Optimizations
2. Maximizing Marvel Season
3. Driving Subscription Conversion
4. Promoting Party Royale
Fortnite: 2019 In Review

World's leading brands and entertainers are reaching their audience through Fortnite

February 2019
Super Bowl LIII

February 2019
Marshmello Concert

April 2019
Avengers Endgame

May 2019
John Wick 3

May 2019
Brand Jordan

September 2019
Batman Day

December 2019
Star Wars: RoS

Season 8

Season 9

14 Days of Summer

Season X

Chapter 2

Winter Fest

Jan-19
Feb-19
Mar-19
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19

iOS Monthly Active Users

iOS Bookings
Speaker Notes for Slide 5
Fortnite: Q1-Q2 Return to Growth

Season 2 - Deadpool: Launch Feb 20, 2020
- Most Battle Pass units sold since December 2018

Travis Scott’s Astronomical: April 23-25, 2020
- Broke every Fortnite user record
- Launched Travis Scott to the top of all streaming charts

Party Royale: May 8, 2020
- Easy-to-access space in Fortnite where players can drop in any time to enjoy streamed audio or video performances and games shared with their friends
# Top IP Collaborations

<table>
<thead>
<tr>
<th>Marvel Case Study: Iterating on Fortnite x Marvel integrations positions Season 14 to be biggest yet!</th>
</tr>
</thead>
</table>

## Top IP Collaborations by Revenue

<table>
<thead>
<tr>
<th>Brand 9</th>
<th>Brand 8</th>
<th><strong>TRAVIS SCOTT</strong></th>
</tr>
</thead>
</table>

### 2018: Avengers LTM
Limited Time Mode where players raced to collect Infinity Stones to become Thanos in a special BR

### 2019: Endgame LTM + Outfit Sales
Fortnite players have asymmetric battle with Thanos and his army
Marvel outfits sold in Item Shop for first time

### 2020: Deadpool Battle Pass
First Battle Pass with external IP became the highest selling BP since Dec 2018
Promotional Case Studies

Highest Impact

Expanded Reach

Nice-to-Have
# Fortnite: Q2 & Q3 Key Beats

<table>
<thead>
<tr>
<th>June</th>
<th>July</th>
<th>Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Biggest Beat:</strong></td>
<td><strong>Season 14: Marvel (8/27)</strong></td>
<td><strong>Fortnite Club Subscription (8/13)</strong></td>
</tr>
<tr>
<td>How can we go bigger?</td>
<td>□ [KPI: Peak Annual Revenue, DAU]</td>
<td><strong>Green Arrow, Flash, Batman, Catwoman, Harley Quinn (8/2) [KPI: Revenue]</strong></td>
</tr>
<tr>
<td><strong>Major Beat:</strong></td>
<td><strong>Season 13: Splash Down (6/17)</strong></td>
<td></td>
</tr>
<tr>
<td>Today Tab, Games Tab, UA, CRM</td>
<td>[KPI: Revenue]</td>
<td></td>
</tr>
<tr>
<td><strong>Minor Beat:</strong></td>
<td><strong>Aquaman (7/16)</strong></td>
<td></td>
</tr>
<tr>
<td>Today Tab or Games Tab</td>
<td>[KPI: Revenue]</td>
<td><strong>Captain America Outfit (7/3)</strong></td>
</tr>
<tr>
<td><strong>Misc Beat:</strong></td>
<td><strong>Vehicles (7/21)</strong></td>
<td>[KPI: Revenue]</td>
</tr>
<tr>
<td>Games Tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Icon Series: Loserfruit (6/22)</strong></td>
<td><strong>Party Royale: Diplo Concert (6/25)</strong></td>
<td><strong>Legends of Summer (early July)</strong></td>
</tr>
<tr>
<td>[KPI: Revenue]</td>
<td>[KPI: DAU]</td>
<td>[KPI: DAU]</td>
</tr>
</tbody>
</table>
THE CLUB

AN EXCLUSIVE SPOT FOR YOU AND YOUR FRIENDS TO HANG OUT, SHOW OFF, LEVEL UP, EARN REWARDS. OH YEAH, AND GET EVERY BATTLEPASS. FOREVER.
Create a cohesive Marvel narrative in Fortnite in 2020 bringing the lore and legends of the Marvel universe to both Marvel fans and Fortnite players, alike.
Season 4 - Battle Pass
**SHIELD Helicarrier**
Central Hub for Battle Pass interaction and our NEW Starter Island

**Galactus - End of Season 4 Event**
Giant Galactus will slowly approach the Fortnite island, and only you and the greatest superheroes of all time can stop him!

*Work In Progress*
# Fortnite: Q3 & Q4 Key Beats

<table>
<thead>
<tr>
<th></th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Other Biggest Beat:</strong> Cross-Vertical Support</td>
<td>J Balvin Event (TBD) [KPI: DAU]</td>
<td>Pop Star 1 Event (TBD) [KPI: DAU]</td>
<td>Season 15: Warriors (11/12) [KPI: Revenue]</td>
<td>□ NYE+Music Event (Late Dec) [KPI: Revenue]</td>
</tr>
<tr>
<td><strong>Minor Beat:</strong> Today Tab, Games Tab, UA, CRM</td>
<td>Icon Series: Neymar + Global Soccer Outfits (9/24) [KPI: Revenue]</td>
<td>Icon Series: Grefg (10/1) [KPI: Revenue]</td>
<td>NFL Outfits (11/23) [KPI: Revenue]</td>
<td>NBA Outfit Launch (TBD) [KPI: Revenue]</td>
</tr>
<tr>
<td><strong>Misc Beat:</strong> Games Tab</td>
<td>Fortnitemares (TBD) [KPI: DAU]</td>
<td>Black Widow Outfit (11/6) [KPI: Revenue]</td>
<td>Winter Offer (Early Dec) [KPI: Revenue]</td>
<td></td>
</tr>
</tbody>
</table>
LEBRON
Q4 2020

FORTNITE
ICON SERIES
Create arcade style basketball mini games to showcase entirely new play. We move past the simple toy functionality and into a Fortnite version of arcade basketball.

STEAL

SHOOT

DUNK!

1v1 2v2 3v3 4v4
Announce the first ever sports event in Party Royale in Epic fashion.

8PM EST @ DOWNTOWN DUNK
WHAT IS POSSIBLE FOR OCTOBER

- V1 of Basketball mini games in Party Royale
- Basketball-related emotes & team Banners
- Watch parties for a variety of content:
  - Pre and post game shows
  - Player interviews
  - Full games
  - Bespoke content targeted at the Fortnite audience
  - & More
- NBA Finals related challenges and unlocks
- NBA Finals Fan Experience @ Party Royale
SEASON 15 - WARRIORS

Following the Season 14 “Galactus vs Zero Point” event, we are left with the Zero Point hovering above the Island. As **Season 15** begins there will be regular disturbances around the Zero Point that will call heroes from their homeworlds to the Island.

This wrapper allows us to bring in a new hero from external IPs in a predictable way. Each new hero will be a weekly beat for the Item Shop. Every Saturday night will be an event for players:

“Who’s Next?”
GROWING THE PARTNERSHIP
Strategic Partnership Growth

1. Help optimize Fortnite mobile to return to growth mode
2. Use live event runbook to make Marvel and other season launches bigger than ever
3. Support Party Royale at three different levels: Headliners, Opening Acts, Experiments
4. Promote Fortnite subscriptions to engage active players
5. Collaborate on upcoming Houseparty beats with Today featuring content
6. Support upcoming Rocket League mobile launch with Today and Games featuring
### Optimizing for Growth

<table>
<thead>
<tr>
<th>Improved Patching Process</th>
<th>Decreasing Time-to-Game</th>
<th>Efficient Mac Build Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Challenge:</strong></td>
<td><strong>Challenge:</strong></td>
<td><strong>Challenge:</strong></td>
</tr>
<tr>
<td>A Fortnite update can be as big as 6GB however the app cannot tell when a new build is available to prompt players to update or make use of background downloading and installing.</td>
<td>After a patch, Fortnite goes through a lengthy “Optimizing” step that makes it take longer for players to get in game than just downloading the latest update.</td>
<td>Buying and maintaining Epic’s Mac build farm is 2x comparable PC builders.</td>
</tr>
<tr>
<td><strong>Ask:</strong></td>
<td><strong>Ask:</strong></td>
<td><strong>Ask:</strong></td>
</tr>
<tr>
<td>Can Apple help Fortnite either detect when new builds are available or make use of background downloads and installing?</td>
<td>If Apple is adding a binary archive for pipeline state objects, which has the potential to allow Fortnite to skip the “Optimizing” step, can they also write software that takes some “generic” version of this archive to customize it for each device and iOS variant so that all players get the correct shader cache?</td>
<td>Does Apple have a recommendation for creating and running a more efficient build farm, potentially including a toolchain that runs on Linux or Windows to compile and package for Mac and iOS?</td>
</tr>
</tbody>
</table>
FN Promotional Runbook

Goal: Create a live event runbook focused on reacquisition

Status:

- Epic Ecossec reviewed and approved secure asset pipeline
- Apple BD shared runbook for Season 3 test
- Epic sharing Season 3 assets 3 day earlier to unlock featuring and UA immediately at Season 3 launch

Next Steps:

- Evaluate impact of increased promotions unlocked by earlier asset and info sharing [Goal: 9.2M WAU]
- Evolve runbook to maximize support around
Support Party Royale

Develop a cross-vertical runbook to support Party Royale across varying sizes of beats

Headliners

SEP - J BALVIN
DEC - POP STAR 2

Opening Acts

DIPLO

Experiments

ZION VS. LEBRON
Houseparty Promotional Roadmap

**New Games**
In-App: Magic 8-Ball, Uno, Word Racer and more

*Support: Today Tab story assets submitted for support*

**Dancing and Music**
In-App: Karaoke support followed by a celebrity infused dancing and music oriented engagement event

*Support: Today Tab or Apps Tab banner*

**HP x FN**
In-App: Use HP tech across HP & FN to unlock new ways for users of both products to engage

*Support: Today Tab or Games + Apps Tab banners for both HP & FN*
Rocket League “2D”

- Targeting mid-September/Fall release
- Additional Arena layouts and modes being developed (hoops, etc!)
- Social - EpicID and cross platform friends between console Rocket League and RL2D
- Cross-game/platform rewards
- IAP post launch patch

Key Opportunities
- Launch Today Tab: Nov
- IAP Update Games Banner: Dec
Thank You
Old Slides
Fortnite Club with Apple TV+ and Apple Music Bundle:

- Monthly subscription includes Fortnite Club ($11.99) with Apple TV+ ($4.99) and Apple Music ($9.99) for $20.00.
- Co-promote with Apple content both in-game and at the subscription level.
- Offer bundle ideally includes the following key features:
  - Available globally.
  - Represents a cost savings of at least $4.99.
  - Allows for single point of purchase to receive both subscriptions.
  - Existing subscribers can easily opt-into the promotion - no “poor choice”.
  - Initial limited time offer term, with ability to extend.
- Goal: 300K Fortnite Club monthly subscribers - Increased conversion with Apple support
FORTNITE CLUB

Proposed terms would focus on maximizing upside for both Epic and Apple.

Based on attribution for where a player subscribes:

- If the players signs up via Fortnite or other Epic channels:
  - $11.99 monthly gross to Epic, remainder gross to Apple (minus platform fees for both)
- If the player signs up via Apple TV+ or Apple Music:
  - $14.98 monthly gross to Apple, remainder gross to Epic

This way, each partner gets their full baseline revenue from internal signups, plus incremental from other partner's signups. Mitigates risk of downside from people who would otherwise pay for both.
EMOTES
## Top IP Collaborations

### Top IP Collaborations by Revenue

<table>
<thead>
<tr>
<th>Brand</th>
<th>Revenue Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARVEL</td>
<td>Highest</td>
</tr>
<tr>
<td>Brand 9</td>
<td>Moderate</td>
</tr>
<tr>
<td>Brand 8</td>
<td>Moderate</td>
</tr>
<tr>
<td>TRAVIS SCOTT</td>
<td>Moderate</td>
</tr>
<tr>
<td>Brand 7</td>
<td>Low</td>
</tr>
<tr>
<td>Brand 6</td>
<td>Low</td>
</tr>
<tr>
<td>Brand 5</td>
<td>Low</td>
</tr>
<tr>
<td>Brand 4</td>
<td>Low</td>
</tr>
<tr>
<td>Brand 3</td>
<td>Very Low</td>
</tr>
<tr>
<td>Brand 2</td>
<td>Very Low</td>
</tr>
<tr>
<td>Brand 1</td>
<td>Lowest</td>
</tr>
</tbody>
</table>

### Nike case study: Fortnite and Nike crossover event generating significant revenue and awareness

- **Limited Time Game Mode (LTM)**
  - Parkour styled course
  - Players dodge obstacles and collect coins
  - Unlock Back Board Back Bling

- **“Hang Time” Bundle**
  - Air Jordan character outfits and shoes (1,800 V-Bucks)
  - Access to even more reward styles in LTM

- **Real-Life Nike Products**
  - “Hang Time” skins represent Nike products that can be purchased in real life
Speaker Notes for Slide 50
Top IP Collaborations

**Top IP Collaborations by Revenue**

1. Marvel
2. Star Wars
3. NFL
4. Travis Scott
5. DC
6. John Wick
7. Nike
8. Borderlands

**Nike case study: Fortnite and Nike crossover event generating significant revenue and awareness**

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Speaker Notes for Slide 51
NARUTO UZUMAKI
SNAKE PLISSKEN
SHIELD Helicarrier
Central Hub for Battle Pass interaction and our NEW Starter Island

Work In Progress
Galactus - End of Season 4 Event

Giant Galactus will slowly approach the Fortnite island, and only you and the greatest superheroes of all time can stop him!
Fortnite - Apple Promotions

App Store

Games

Fortnite
Get special Travis Scott outfits

App Store

Social Support

App Store Paid Media

Apple Music

Today-Sun:
- Social Support for live events
- Apple Music Notifications
- Travis on .WAV Apple Music show
- Playlist on Apple Music

WIP:
- Skrillex and Apple Music
- MusicKit & Affiliate Program Integrations for Cross Vertical Promotions
- May the 4th
- End of Season Event
# Promotional Case Studies

<table>
<thead>
<tr>
<th>Cross-Vertical Promotion: Astronomical</th>
<th>Major Promotion: Season Launch</th>
<th>Minor Promotion: Deadpool</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apple Music:</strong></td>
<td><strong>App Store:</strong></td>
<td></td>
</tr>
<tr>
<td>- Editorial Featuring</td>
<td>- Today Tab day of event</td>
<td>- Games Tab during the week</td>
</tr>
<tr>
<td>- .WAV Radio Appearance</td>
<td>- Games Tab during the week</td>
<td></td>
</tr>
<tr>
<td>- Official Playlist</td>
<td>- Social support</td>
<td></td>
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<tr>
<td>- UA</td>
<td>- UA</td>
<td></td>
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<tr>
<td>- Social</td>
<td></td>
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<tr>
<td>- Notification</td>
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</tbody>
</table>

**App Store:**
- Today Tab day of event
- Games Tab during the week
- Social support
- UA
Fortnite: Q1-Q2 Recap

Key Events May Include:
- Season Launches
- Astronomical
- Party Royale
Epic’s Social Entertainment Portfolio

**FORTNITE**
- The biggest game in the world
- Over 350 million accounts
- Cross platform play across 7-platforms
- Most-watched game on YouTube, Twitch and Facebook
- Over 89 million social followers
- IP integrations across every pillar of entertainment

350mm accounts
80.4mm MAUs

**HOUSEPARTY**
- The face to face social network
- Joined Epic in June 2019
- A Top 5 Social Networking app in the US as of May 2020
- Cross platform support for mobile, macOS and browsers
- Expanding to new countries and audiences in 2020

78mm accounts
48.9mm MAUs

**PSYONIX**
- Creators of Rocket League
- Joined Epic in May 2019
- Rocket League launched June 2015
- All time high CCU in March 2020 after amassing tens of millions of players
- One of the top PC and console launches in the past 5 years
- Developing mobile-lite game

73mm accounts
11.7mm MAUs

Accounts and MAUs are as of April 2020.
Travis Scott World Tour Was the Largest Trans-Media Event Ever

**Record Breaking Attendance**

Travis Scott world tour broke all user records 3 years after Fortnite launch
- 12.3mm concurrent users
  (compared to 10.6mm for Marshmello)
- 350mm Fortnite account
- 3.2 billion hours played in April 2020

**Redefining Live Entertainment**

Completely redefined the concert going experience and live events
- 27mm unique users attended one of Travis Scott’s Fortnite concerts
  (Compared to 9mm attendees to Ed Sheeran’s 2017-2019 world tour, which is the largest in history)
- 45.8mm total views across 5 shows
- 890mm Fortnite video views
- 2.5mm concurrent Twitch & Youtube views

**Driving Travis to the Top of the Charts**

Debut single “The Scotts” on Fortnite and immediately reached the top of all charts
- #1 on Apple Music in the US
- #1 on Spotify in the US
- #1 on Twitter in the US
- Largest streaming debut of the year
- 44mm streams within one week
- 37,000 exclusive physical copy of “The Scotts” sold on vinyl, CD and cassettes

“Fortnite’s Travis Scott Concert Was A Stunning Spectacle And A Glimpse At The Metaverse” - Forbes

---

1 CCU record set on first day of concert April 23, 2020. Total times Travis Scott concert was watched (players came in for multiple shows). Fortnite accounts as of April 2020. Youtube, FB, Twitter, Instagram video views on FN from April 23-25. 2020
Fortnite Redefines Today’s Hyper Culture

Most Streamed Male Artist on Spotify (mm)

- Travis Scott
- Bad Bunny
- The Weeknd
- Drake
- J Balvin
- DaBaby
- Post Malone
- Justin Bieber
- Juice WRLD
- Eminem
- Ed Sheeran
- Lil Uzi Vert

Fortnite concert launched Travis Scott to the top of the charts

Why the Music Business Should Be Looking Closely at Fortnite and Epic Games

Travis Scott Destroys ‘Fortnite’ All-Time Record With 12.3 Million Live Viewers

More than 12 million players tuned in for Travis Scott’s ‘Fortnite’ event. That’s roughly the same size as the average ‘Monday Night Football’ audience.

Travis Scott’s ‘Fortnite’ concert is the best damn thing to come out from a video game
What is Party Royale?

Party Royale is an easy-to-access space in Fortnite where players can drop in any time to enjoy streamed audio or video performances and games shared with their friends.

Party royale could fulfill Fortnite's promise as a true social space

Diplo Goes Virtual for Major Lazer Concert in Fortnite's Party Royale Mode: Watch

Games Like Fortnite Are Today's 'Third Places'

As the online game is proving with Travis Scott and Party Royale, digital places are every bit as legitimate as their analog counterparts.
Lineup Leading to the Party Royale Premiere

DIPLO & FRIENDS
Stealth Mode Event “Drop”

PARTY ROYALE PREMIERE EVENT - MAY 8
Lineup of the world’s biggest DJs
THE CLUB

AN EXCLUSIVE SPOT FOR YOU AND YOUR FRIENDS TO HANG OUT, SHOW OFF, LEVEL UP, EARN REWARDS. OH YEAH, AND GET EVERY BATTLEPASS. FOREVER.
FORTNITE CLUB

Available for Subscription at Any Point of the Season:

- Monthly Price Point of $11.99 (RMT Only)

Subscription Content:

1. **Battle Pass**: Access and progress the Battle Pass as long as you stay subscribed.

2. **Monthly V-Bucks**: Receive 1,000 V-Bucks each month

3. **Free Monthly “Club Series” Cosmetic Pack**:
   - Content valued at $14.99 or higher
   - Includes an Outfit, plus accessories, purchasable by non-subs one month later (1,500 V-Bucks).

4. **Exclusive Progressive Outfit**: Evolves one level with each “Club Series” pack you consume.
FORTNITE 2020 GOALS PLAN OF RECORD*

*SUBJECT TO FREQUENT CHANGE WITH VERY LITTLE NOTICE
#5 Social Networking App in the App Store
In The House is an exclusive original content series with major influencers that gives our audience live shared experiences to view with their friends.

30 artists, musicians, cooks and comics create joyful, interactive content over a three day digital festival, only on Houseparty.

Jump “In the House” from May 15 - May 17.
Houseparty of the Future
- Competitive soccer-based PvP with rocket-powered cars!
- Continued Growth - Highest MAU is this year!
- Extensive IP integrations
- Two new products on the horizon for mobile

Rocket League “Next”

- Next-generation client with full game experience across all platforms, including mobile
- Cross-Play, Cross-Progress between mobile, PC, console
- Mobile Alpha/Beta long before it’s released on other platforms
  - Est' Q2 2021 for Mobile Beta
Rocket League “2D”

- Rocket League rebuilt for touch controls (also supports controllers)
- Engage with Rocket League on mobile for the first time
- Online Competitive Multiplayer (2v2, 1v1) with RL’s trademark depth & physics replayability
- Feature complete, playable on TestFlight - evaluating release windows for iOS as soon as Summer 2020
- Shared social graph with console/PC game friends lists and cross-platform gameplay incentives
**SPYJINX**

- Soft launched 4/1 in key APAC countries
- Development is focused on optimizing onboarding and adding new mechanics
iOS 2018 - 2020 Recap

2018A - 2020E iOS Bookings and MAUs (in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>iOS Monthly Active Users</th>
<th>iOS Bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>14.0</td>
<td>$322</td>
</tr>
<tr>
<td>2019</td>
<td>10.3</td>
<td>$246</td>
</tr>
<tr>
<td>2020E</td>
<td>12.4</td>
<td>$210</td>
</tr>
</tbody>
</table>

Bookings Split: Battle, Item Shop, Real Money

- Item Shop: 67%
- Battle Pass: 26%
- Real Money Transactions: 7%

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