

skillz

Investor Presentation

skillz

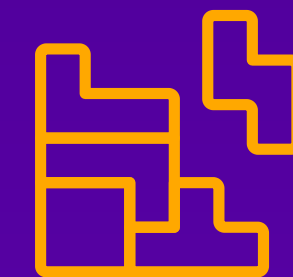
THE FUTURE OF ENTERTAINMENT



SKILLZ EXPANDS THE GAMING ECOSYSTEM



Developers to share their
art with the **world**



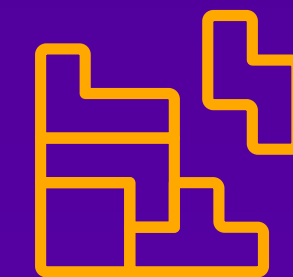
Gamers to **connect** through
meaningful **competition**

SKILLZ IS THE COMPETITION LAYER FOR THE INTERNET



\$2.4B

Gross Marketplace
Volume (GMV)



2.5B

Tournaments Per Year

Note: GMV represents entry fees that may be paid using cash deposits, prior cash winnings that have not been withdrawn, and end-user incentives in 2021. Tournaments represents number of tournament entries in 2021.

**WE BUILT SOMETHING GAMERS
DON'T JUST LIKE, THEY LOVE**



WE'VE REDESIGNED MOBILE GAMING TO BRING DEVELOPERS AND GAMERS TOGETHER



BEST-IN-CLASS RESULTS AND RECOGNITION

\$384M

Revenue
(2021)

67%

Revenue Growth
(2021 YoY)

94%

Gross Margin
(2021)

17%

Payor Conversion Rate
(2021)



Skillz makes gaming better for everyone
with a proprietary, highly scalable
SOFTWARE PLATFORM

COMPREHENSIVE TECHNOLOGY PLATFORM



Gamer competition
engine



Live ops
system



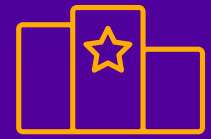
Developer
console



Network data science technologies

GAMING PLATFORM

Key Features



Tournaments and leagues



Loyalty rewards



Player rating and matching



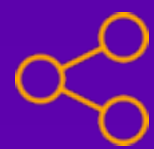
Payments



Anti-cheat & anti-fraud



Content discovery



Social features

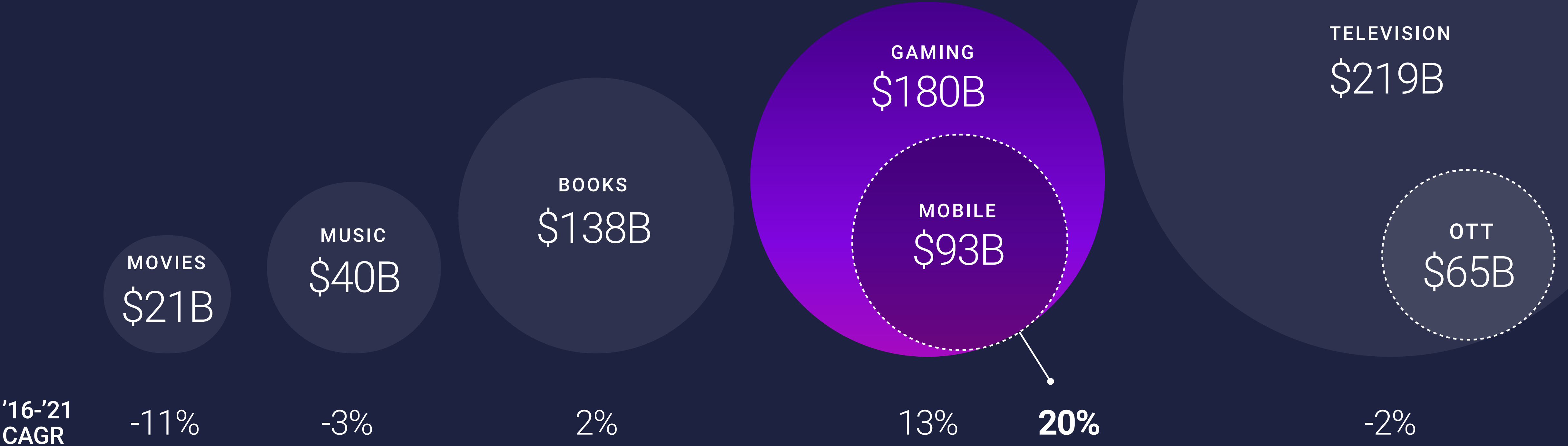


24/7 support



MOBILE GAMING
IS THE FUTURE OF ENTERTAINMENT

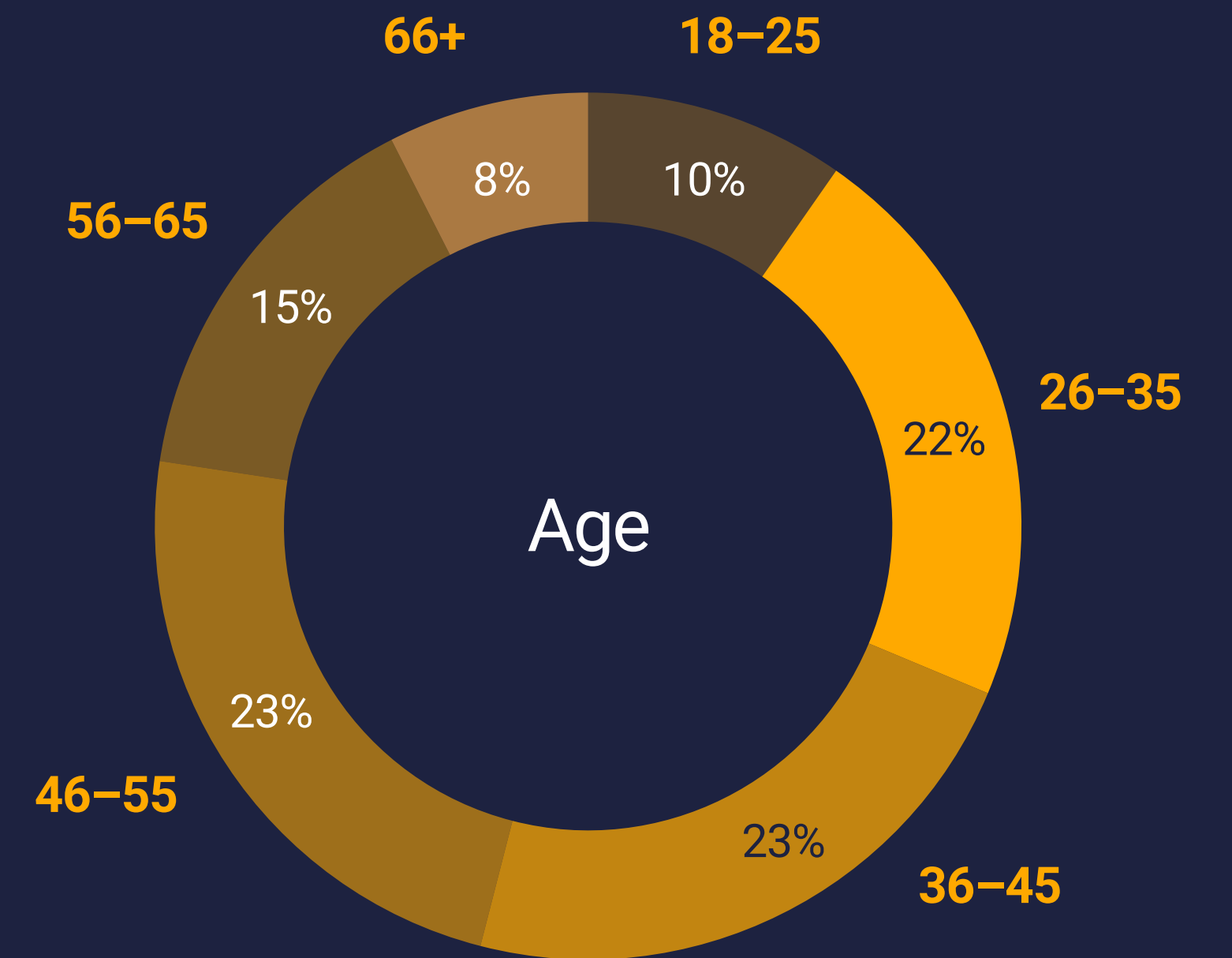
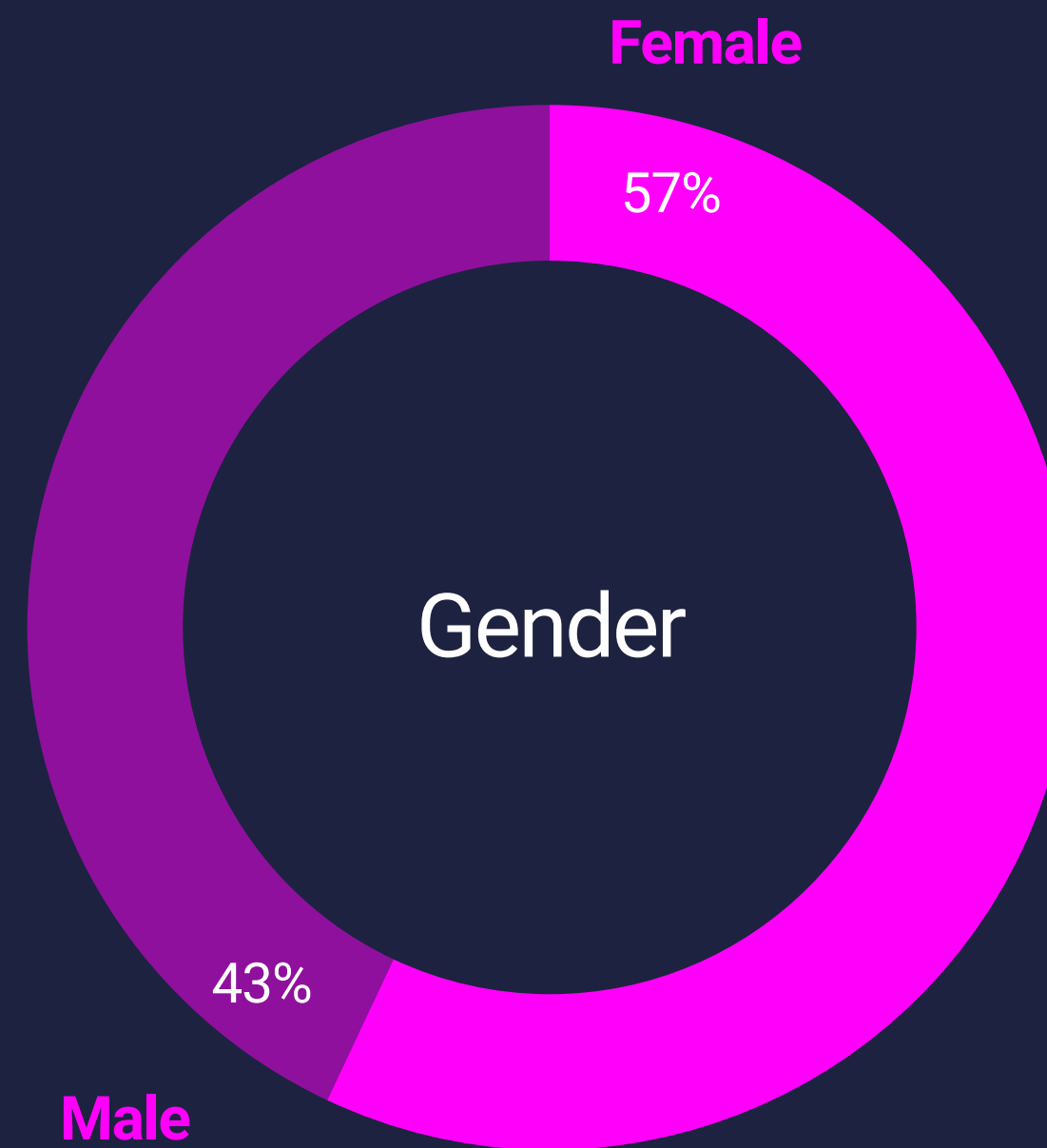
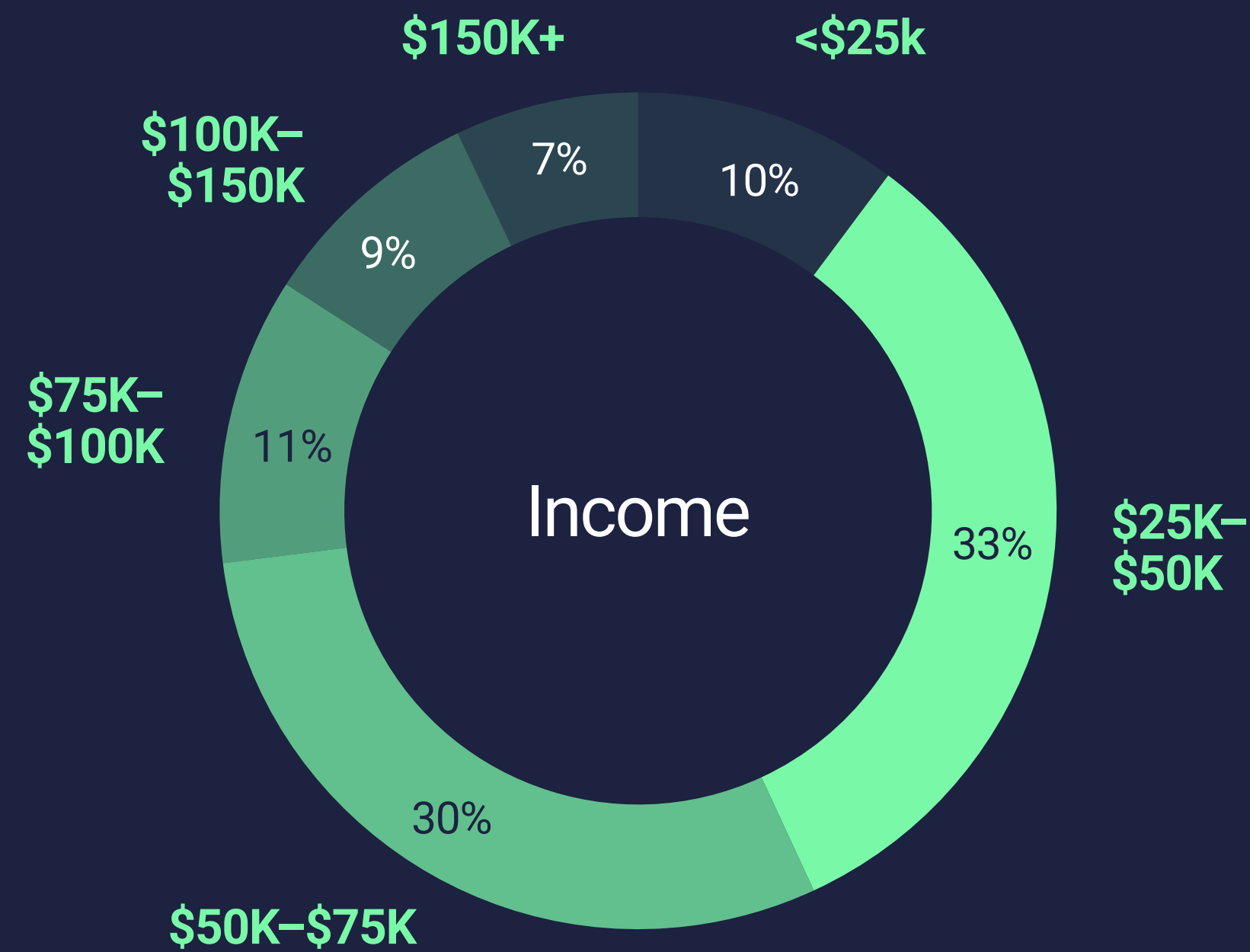
GAMING HAS ECLIPSED MOVIES, MUSIC, AND BOOKS



'16-'21
CAGR

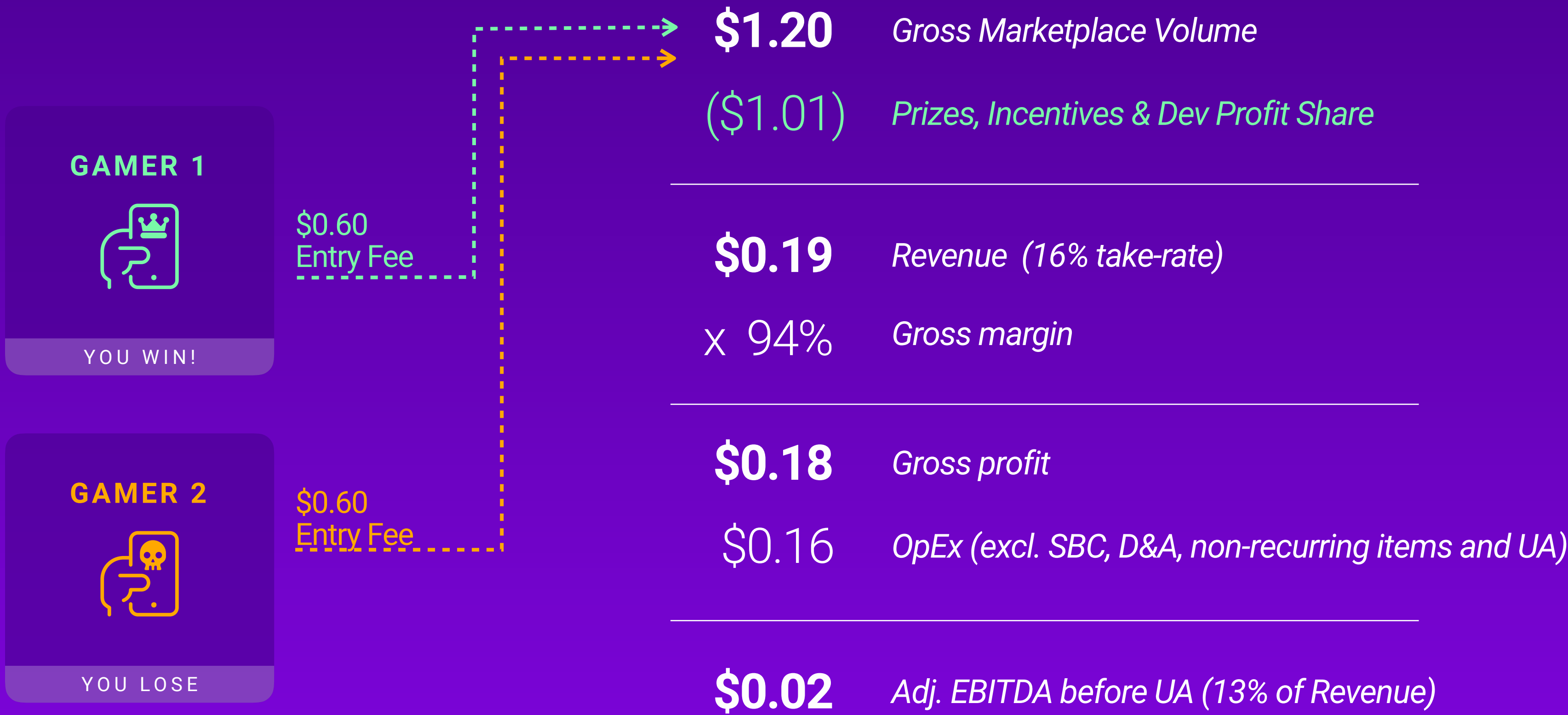
**ANYONE CAN EMBRACE
THEIR INNER CHAMPION**

OUR DEMOGRAPHIC IS THE MASS MARKET



Source: Income and Age demographics from Axiom survey data of paying users (2018). Gender demographics from Ad Network install data (2019).

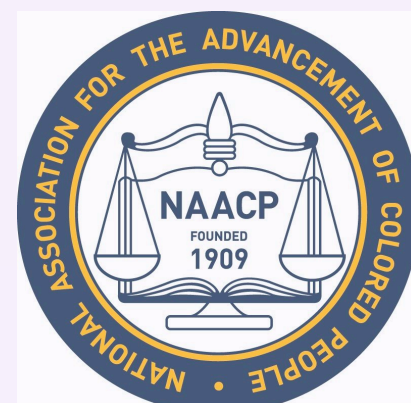
BUSINESS MODEL



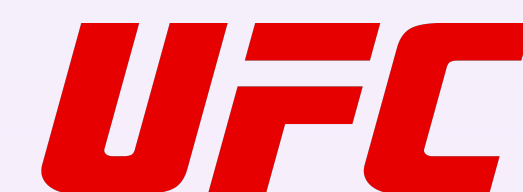
Note: All dollar amounts are illustrative and based on actual take-rate and margin structure and reflect rounding. The Company defines and calculates Adjusted EBITDA as net income (loss) before interest, other non-operating expense or income, (benefit) provision for income taxes, and depreciation and amortization, and further adjusted for stock-based compensation and other special items determined by management, including, but not limited to, fair value adjustments for certain financial liabilities (including derivatives) associated with debt and equity transactions, impairment charges, acquisition related expenses for transaction costs and certain loss contingency accruals. D&A means Depreciation and Amortization. UA or UA Marketing is the total cost to acquire new users in that period. UA Marketing was \$242.2 million in 2021. See Appendix for a reconciliation of Adjusted EBITDA to the most comparable GAAP metrics.

STRATEGIC BRAND PARTNERSHIPS

Non-profits



For-profits



GROWING INDUSTRY - MORE GAME DEVELOPERS EQUALS MORE GAMES



30,000 (2009)



Game Developers



15 million (today)



Game Developers

**THE OLD BUSINESS MODELS
DON'T WORK ANYMORE**

THE OLD BUSINESS MODELS



Ads interrupt
gameplay



In-game purchases
lock users out of content
("pay to win")

EXPLOSION IN GAME CONTENT MAKES IT HARD TO GET DISCOVERED



GAME RANK BY ESTIMATED REVENUE PER INSTALL (2021)

**WE ARE
REDEFINING
ENTERTAINMENT**



GAMERS

WHAT THEY VALUE



Community



Fun

WHAT OLD MODELS DELIVER



Pay to win



Interruption



DEVELOPERS



Discovery



Monetization



Broken economics



Gimmicks



GAMERS

WHAT THEY VALUE



Community



Fun

HOW SKILLZ DELIVERS



Meaningful connection



Fair competition



DEVELOPERS



Discovery



Monetization




Network exposure




Financial Success

DEVELOPER SOLUTIONS


Key Features




Anti-fraud and payments




Customer support




Event ops




Managed server hosting




Marketing-as-a-service



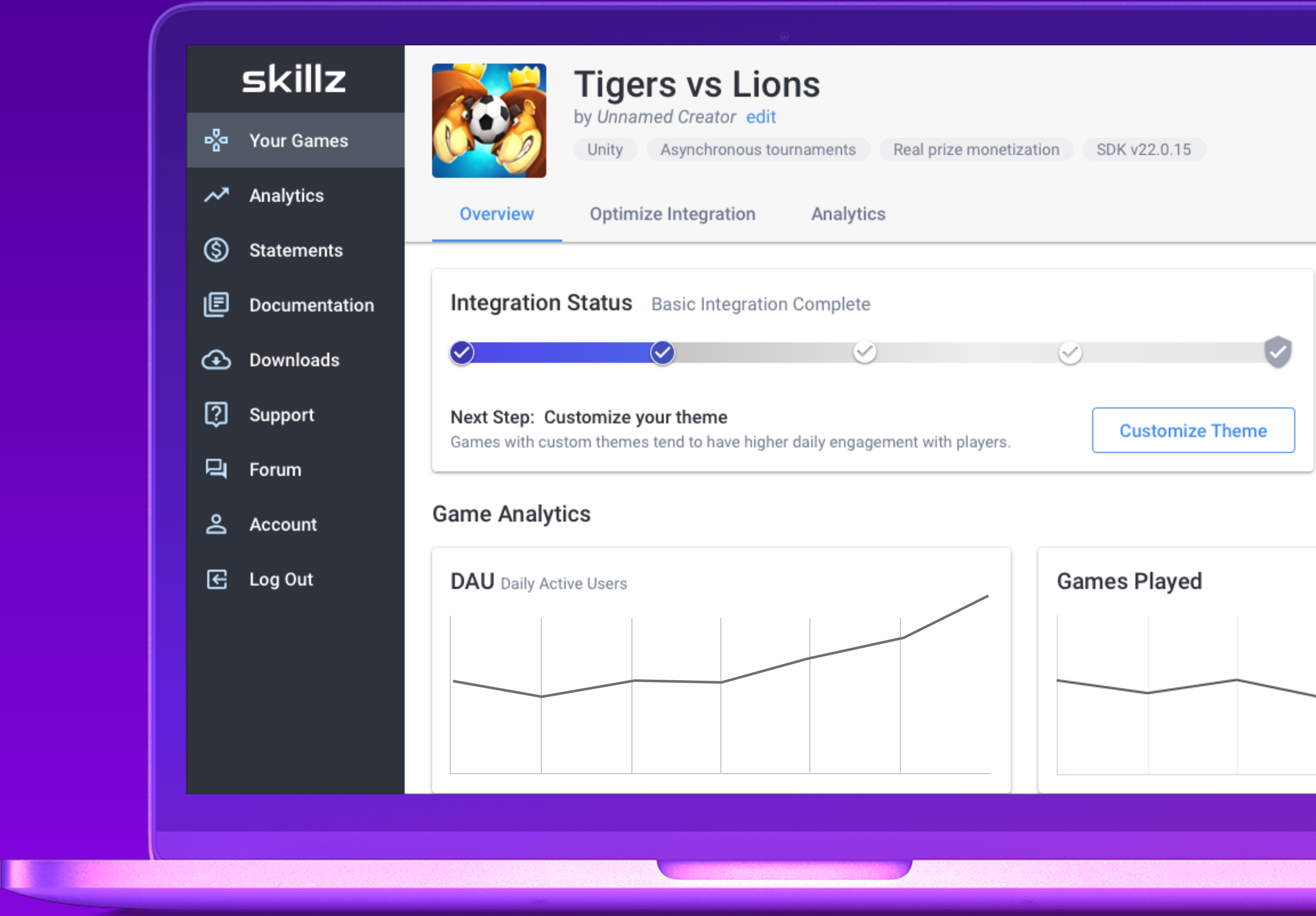
Prize fulfillment



Game launch optimization



Analytics



LIVE OPERATIONS

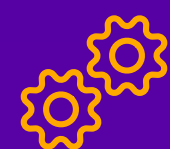
Key Features



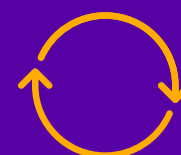
Multi-variate testing



Player incentive optimization



Cross-application personalization



Lifecycle engagement marketing

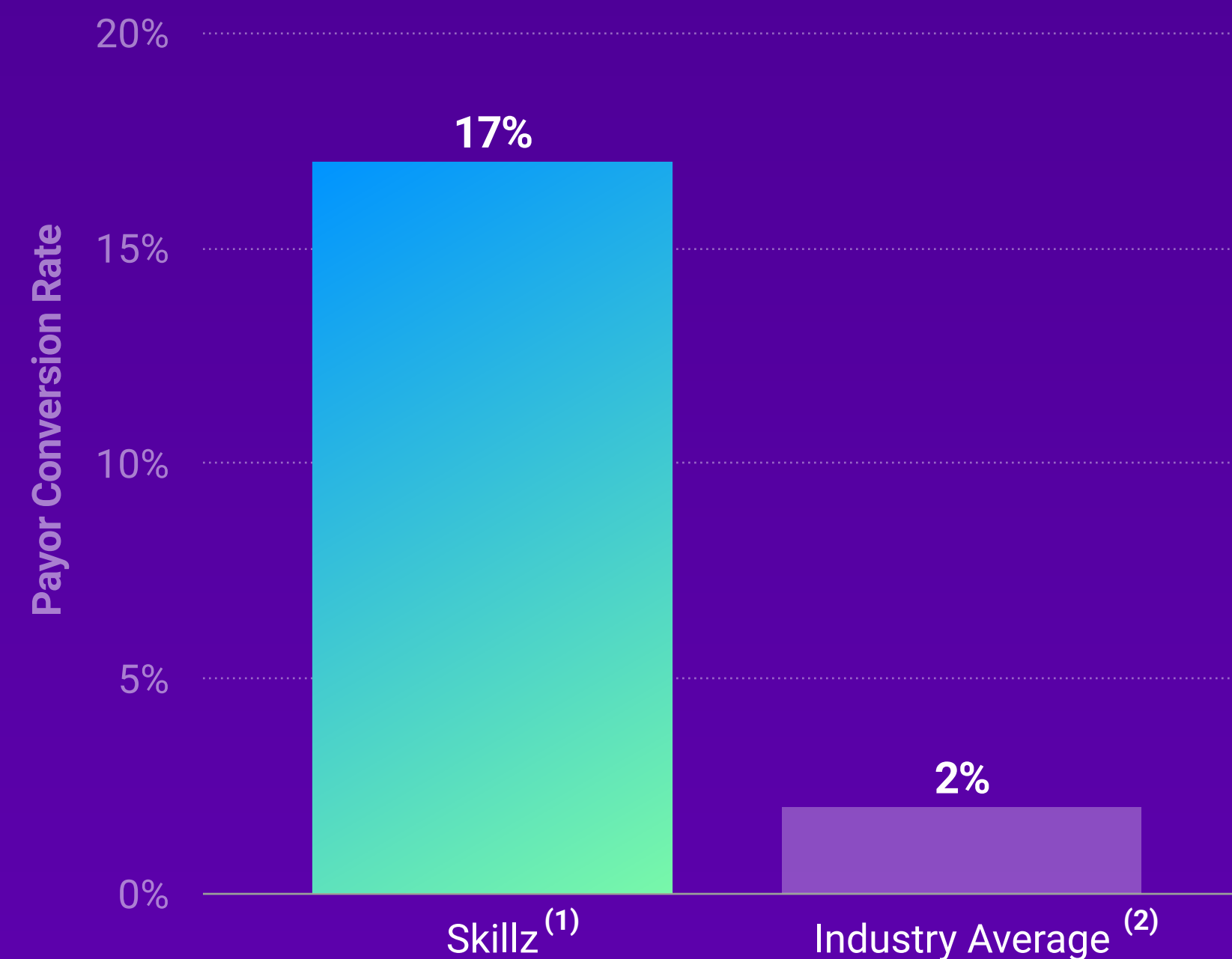


Charity events



Brand-sponsored tournaments

PAYOR CONVERSION RATE



Note: (1) Based on 2021 metrics; (2) According to Wappier, Gaming Apps conversion rates for mobile games were 1.6% to 2% in 2020.

OUR PLATFORM IS UNDERPINNED BY DATA SCIENCE



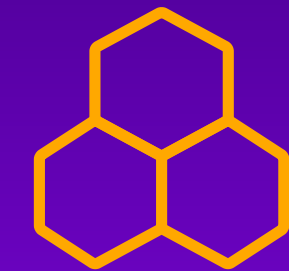
Anti-cheat and
anti-fraud



Player rating and
matching



Algorithmic skill vs.
chance testing



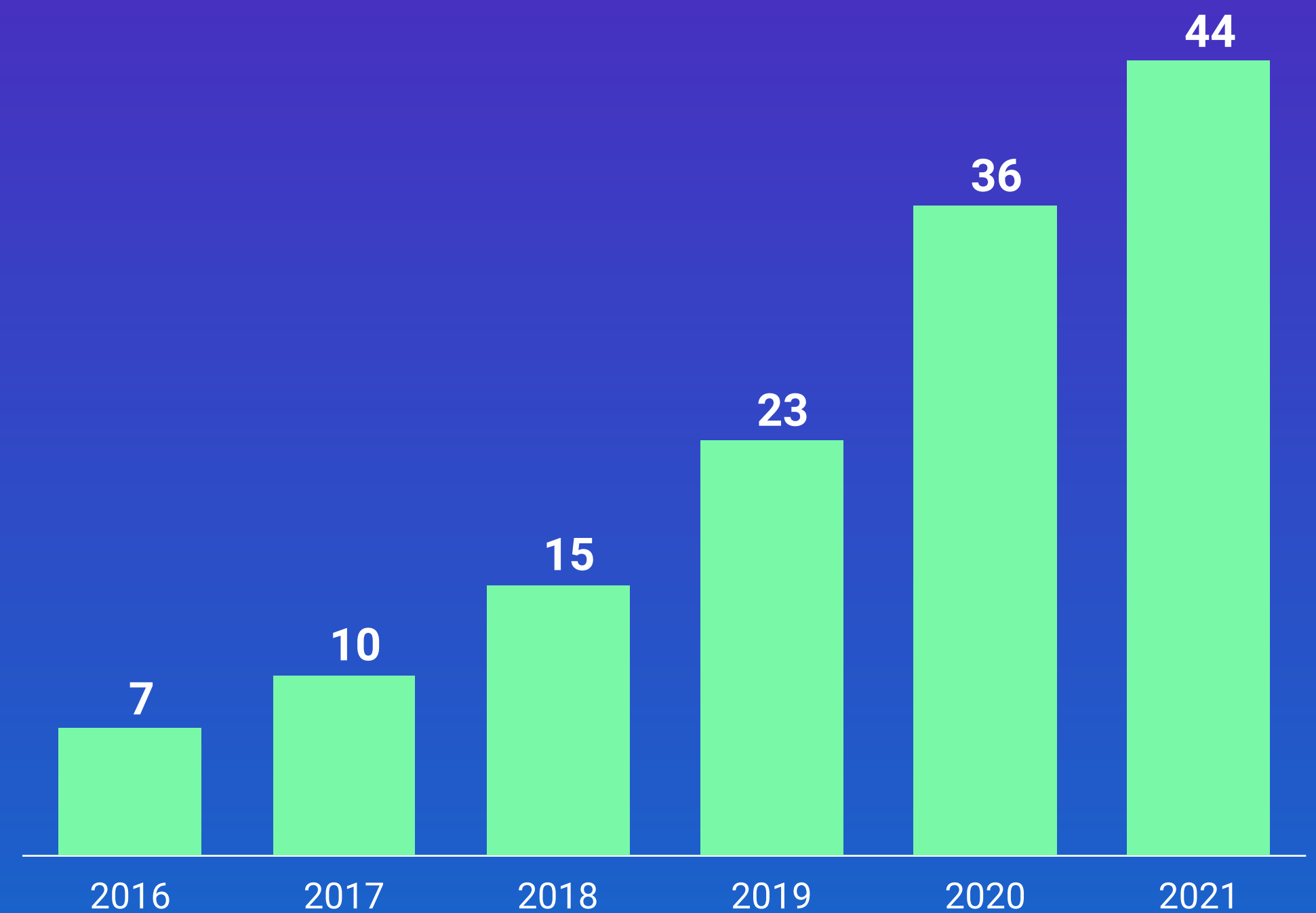
Segmentation
engine

**DEVELOPERS CAN MAKE A LIVING
DOING WHAT THEY LOVE**

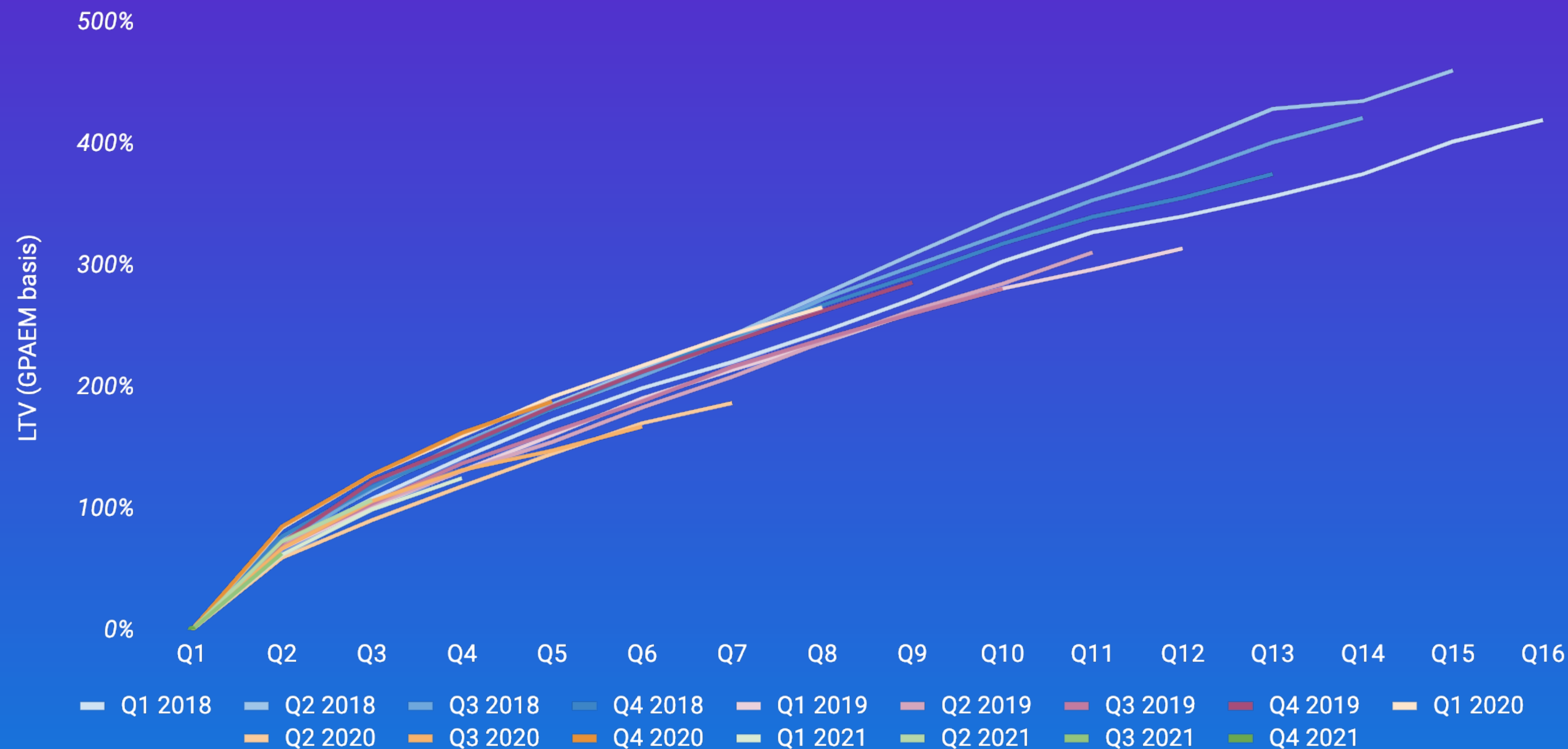
HEALTHY AND GROWING DEVELOPER ECOSYSTEM



OF GAMES >\$1M ANNUALIZED GMV



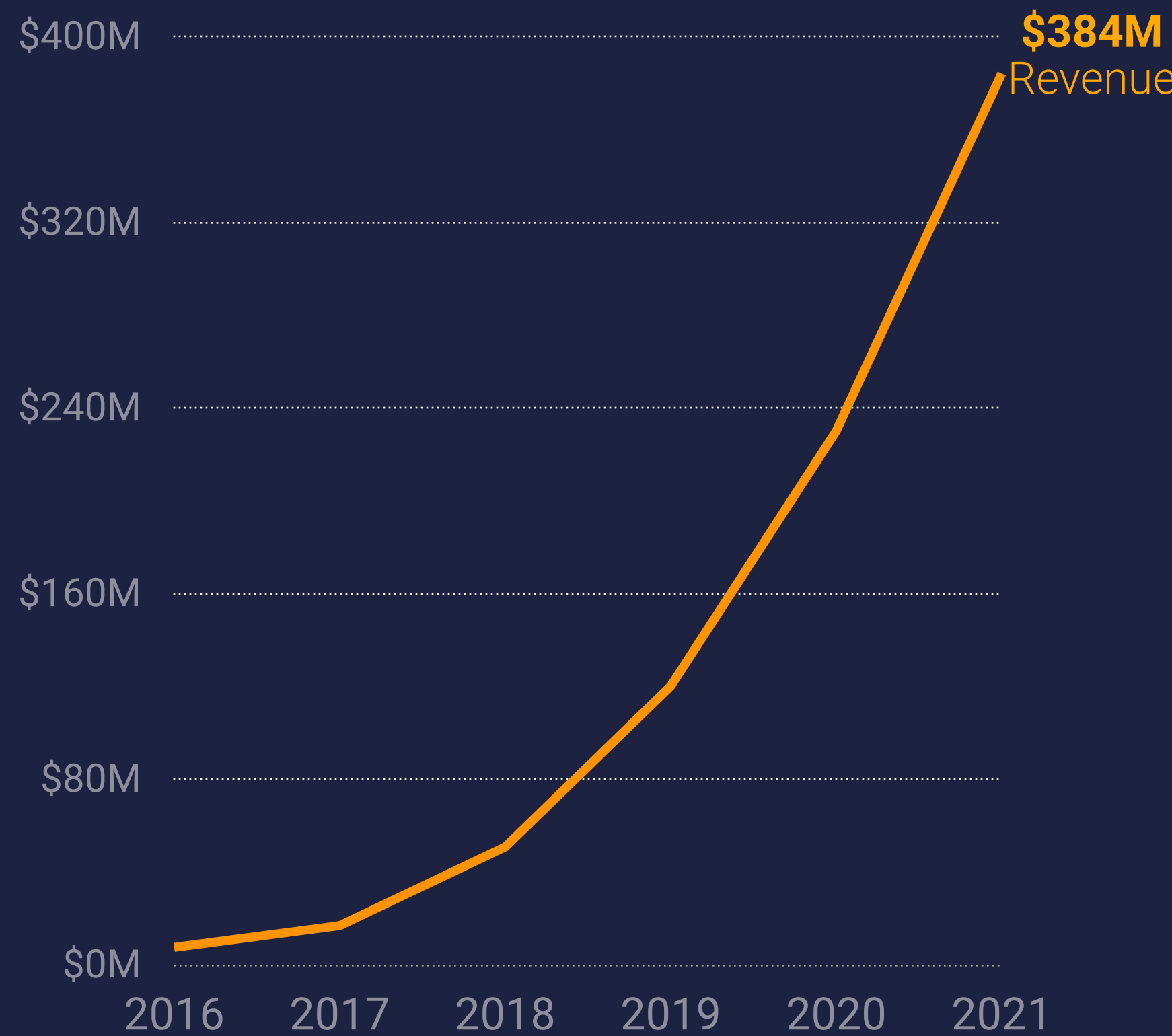
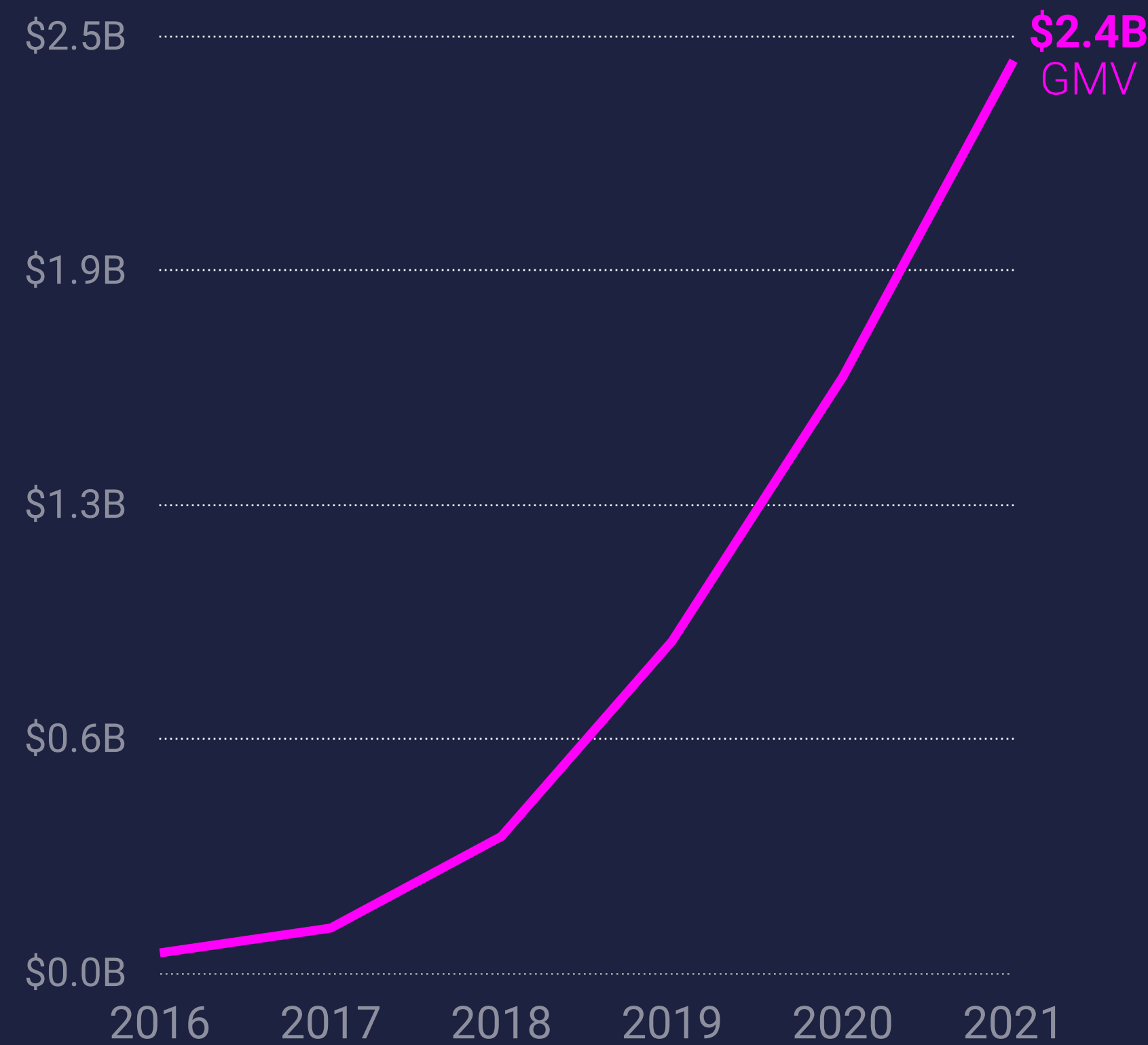
BUILDING ON LONG-LIVED USER COHORTS



CAPITAL EFFICIENT
WITH COMPELLING ECONOMICS

GENERATING STRONG GROWTH WITH CAPITAL EFFICIENCY

\$654M
Cash, Cash Equivalents &
Marketable Securities



ROBUST OPPORTUNITIES TO INVEST IN GROWTH

1

Increase Marketing Efficiency

2

Launch New Products

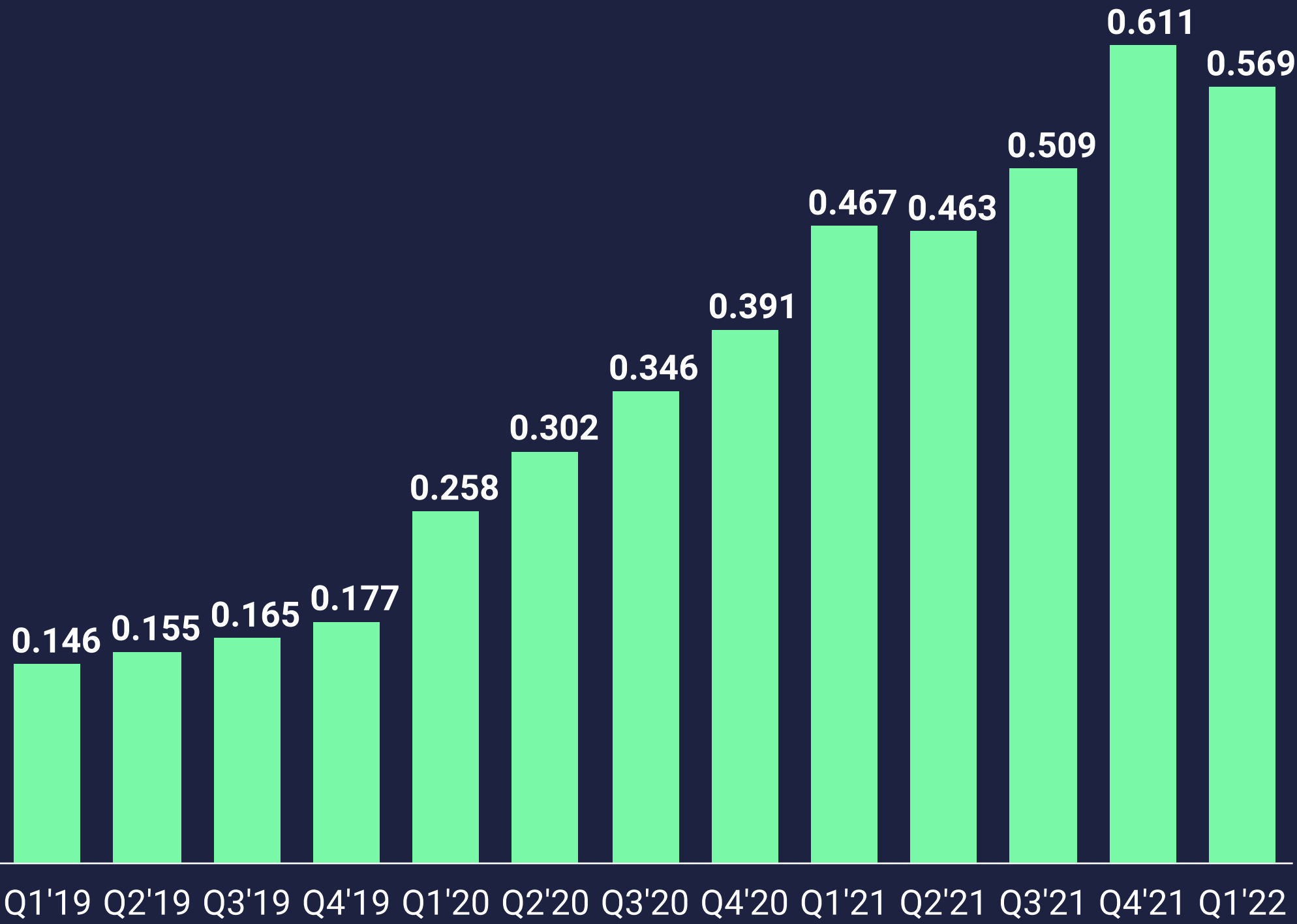
3

Invest in Developer Ecosystem

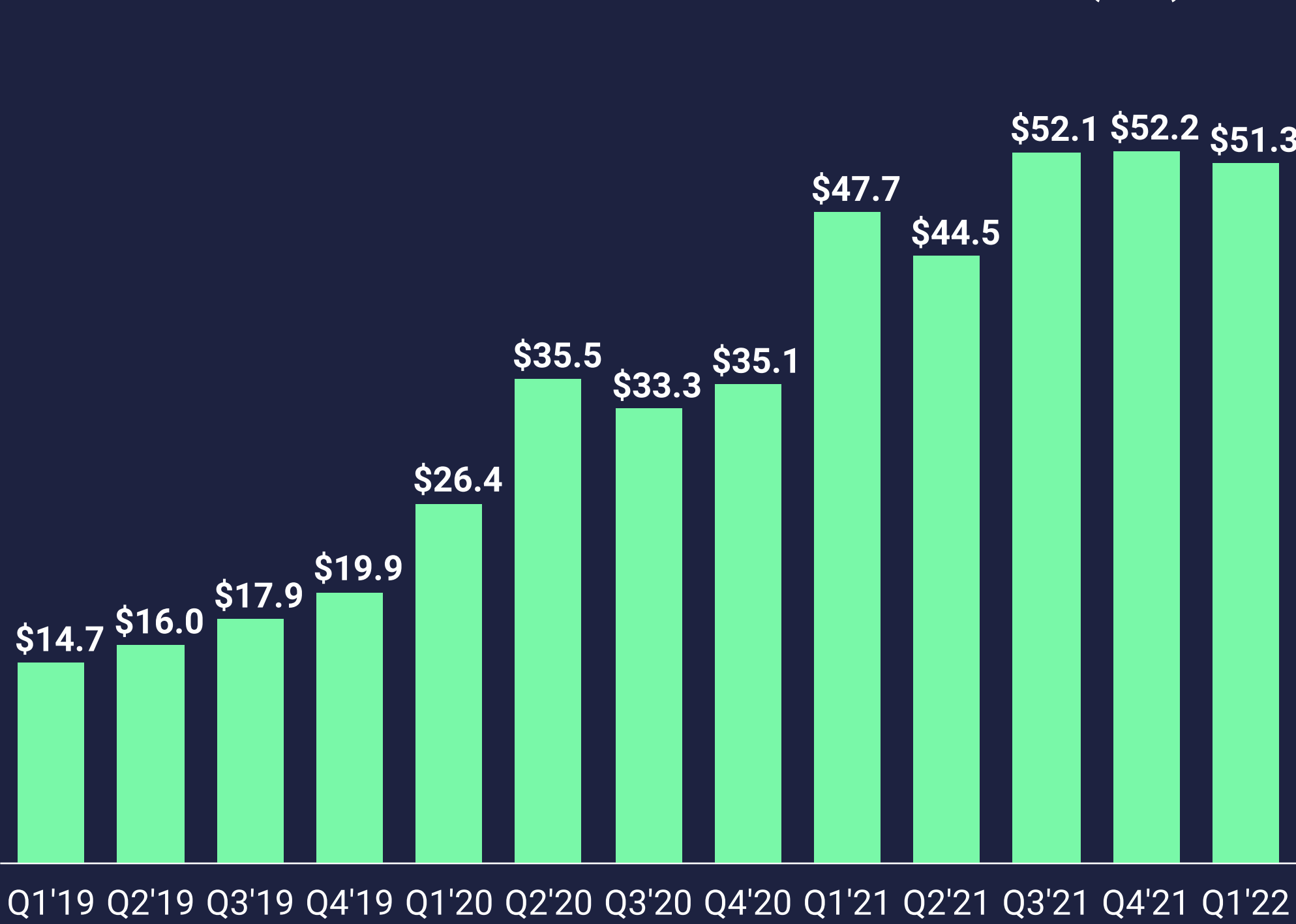
THANK YOU

APPENDIX: GROWTH IN PAYING USERS & REVENUE

PAYING MAU (M)



REVENUE AFTER ENGAGEMENT MARKETING (\$M)



APPENDIX: QUARTERLY RESULTS SUMMARY

(\$ in millions)	Q1 '21	Q1 '22	Y/Y
Revenue	\$83.7	\$93.4	12%
Revenue After Engagement Marketing (RAEM)	\$47.7	\$51.3	8%
Adj. EBITDA	(\$31.1)	(\$61.0)	nm
Adj. EBITDA Margin	(37.2%)	(65.3%)	

APPENDIX: QUARTERLY SUPPLEMENTAL METRICS

(\$ in millions)	Q1 '21	Q1 '22	Y/Y
GMV	\$567	\$552	(3%)
Take Rate	14.8%	16.9%	
Paying MAU	0.47	0.57	22%
ARPPU	\$60	\$55	(8%)
MAU	2.7	3.2	20%
ARPU	\$10.35	\$9.65	(7%)

Note: "Paying Monthly Active Users" or "Paying MAU" means the number of end-users who entered into a paid contest hosted on Skillz's platform at least once in a month, averaged over each month in the period. "Average Revenue Per Paying Monthly Active User" or "ARPPU" means the average revenue in a given month divided by Paying MAUs in that month, averaged over the period. "Monthly Active Users" or "MAUs" means the number of end-users who entered into a paid or free contest hosted on Skillz's platform at least once in a month, averaged over each month in the period. "Average Revenue Per Monthly Active User" or "ARPU" means the average revenue in a given month divided by MAUs in that month, averaged over the period.

APPENDIX: RECONCILIATION TO NON-GAAP ITEMS

(\$ in millions)	Q1 '21	Q1 '22
Net Loss	(\$53.6)	(\$148.1)
Interest Expense, net	0.0	8.2
Change in fair value of common stock warrants liabilities	2.1	(4.5)
Stock-based Compensation	10.9	77.9
(Benefit from) provision for income taxes	0.0	(0.2)
Depreciation and Amortization	0.6	5.5
Other expense (income), net	(0.1)	0.0
One-time nonrecurring expenses	8.8	0.1
Adjusted EBITDA	(\$31.1)	(\$61.0)

APPENDIX: BALANCE SHEET & CAPITALIZATION

(\$ in millions)	As of 3/31/22
Cash, Cash Equivalents & Marketable Securities	\$653.8
Prepaid Expenses and Other Current Assets	22.0
Other Assets	256.7
Total Assets	\$932.5

Current Liabilities	\$72.9
Common Stock Warrant Liabilities	1.8
Debt	279.7
Total Liabilities	380.9
Stockholders' Equity	551.6
Total Liabilities & Stockholders' Equity	\$932.5

(millions)	As of 3/31/22
Common Stock	409.6
Warrants Outstanding	4.5
Options & RSUs Outstanding	66.7
Fully Diluted Shares	480.8

BONUS CASH OVERVIEW

WHAT ARE END-USER INCENTIVES?

- Skillz provides bonus cash and real cash to end-users through various incentive programs
- Bonus cash is a promotional incentive that cannot be withdrawn and can only be used by end-users to enter into paid entry fee contests
- The most popular incentive programs offered as part of our engagement marketing are Deposit Incentives (bonus cash), Ticketz Loyalty Store Redemptions (bonus cash), and League Payouts (real cash). These three programs represent over 80% of our total end-user incentives
- These engagement marketing programs enhance the user engagement, retention, and monetization on the system by providing users with rewards and awards for game play
- The cost of these programs are recorded as either a reduction in revenue or a sales & marketing expense

HOW ARE THEY RECOGNIZED ON OUR INCOME STATEMENT?

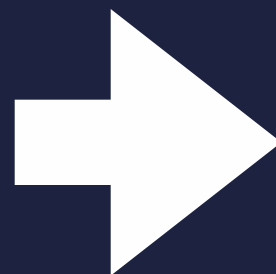
- Depending on whether the Company concludes that the game developers have a valid expectation that the incentive will be offered, the Company records the related cost as a reduction of revenue or as a sales and marketing expense. The Company categorizes the cost based on all available information and a set of pre-existing conditions
- When is it a Reduction of Revenue?
 - When Skillz concludes that the developers have a valid expectation that certain incentives will be offered to the end-users.
 - *Examples: Participation Ticketz, First-time User Deposit Incentive*
- When is it a Sales and Marketing Expense?
 - When Skillz concludes that the developers do not have a valid expectation that the incentive will be offered
 - *Examples: Limited-time User Deposit Incentive, League Payouts*

SCENARIO: BOTH USERS PAY REAL CASH FOR \$1.00 PRIZE

- Winner receives \$1.00 of real cash
- Skillz receives \$0.19
- Developer receives \$0.01


Player 1
(Loss)


Player 2
(Win)



Illustrative P&L Impact

GMV \$1.20

Prizes (\$1.00)

End-User Incentives \$0.00

Dev. Profit Share (\$0.01)

Revenue \$0.19

**Illustrative
Adj. EBITDA \$0.19**

Contest Entry

Real Cash	\$0.60	\$0.60
Bonus Cash	\$0.00	\$0.00
Total	\$0.60	\$0.60

Contest Results

Real Cash	\$0.00	\$1.00
Bonus Cash	\$0.00	\$0.00
Total	\$0.00	\$1.00

Note: For illustrative purposes, assumes system-wide average developer profit share of 1% GMV and zero marginal tournament cost. User contest entry fees are 90% real cash and 10% bonus cash, unless the user does not have real cash in their account.

SCENARIO: WINNER PAYS REAL CASH FOR \$1.00 PRIZE

- Winner receives \$1.00 of Real Cash
- Skillz receives \$0.13 (\$0.06 in Rev. Reduction / S&M)
- Developer receives \$0.01

Illustrative P&L Impact

	If BC is Revenue Reduction	If BC is Marketing Expense
GMV	\$1.20	\$1.20
Prizes	(\$1.00)	(\$1.00)
End-User Incentives	(\$0.06)	\$0.00
Dev. Profit Share	(\$0.01)	(\$0.01)
Revenue	\$0.13	\$0.19
Sales & Marketing		(\$0.06)
Illustrative Adj. EBITDA	\$0.13	\$0.13

If Reduction, BC goes into End-User Incentives

If Marketing, BC goes into S&M



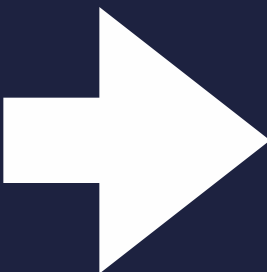
Player 1

(Loss)



Player 2

(Win)



Contest Entry

Real Cash	\$0.54	\$0.60
Bonus Cash	\$0.06	\$0.00
Total	\$0.60	\$0.60

Contest Results

Real Cash	\$0.00	\$1.00
Bonus Cash	\$0.00	\$0.00
Total	\$0.00	\$1.00

Note: For illustrative purposes, assumes system-wide average developer profit share of 1% GMV and zero marginal tournament cost. User contest entry fees are 90% real cash and 10% bonus cash, unless the user does not have real cash in their account.

SCENARIO: WINNER PAYS REAL & BONUS CASH FOR \$1.00 PRIZE

- Winner receives \$0.94 of Real Cash and \$0.06 of Bonus Cash
- Skillz receives \$0.19
- Developer receives \$0.01



Illustrative P&L Impact

GMV	\$1.20
Prizes	(\$1.00)
End-User Incentives	\$0.00
Dev. Profit Share	(\$0.01)

All BC is in Prizes

Revenue \$0.19

Illustrative Adj. EBITDA \$0.19



		
	Player 1	Player 2
	(Loss)	(Win)
Contest Entry		
Real Cash	\$0.60	\$0.54
Bonus Cash	\$0.00	\$0.06
Total	\$0.60	\$0.60
Contest Results		
Real Cash	\$0.00	\$0.94
Bonus Cash	\$0.00	\$0.06
Total	\$0.00	\$1.00

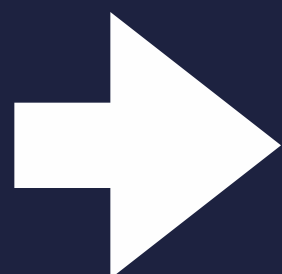
Note: For illustrative purposes, assumes system-wide average developer profit share of 1% GMV and zero marginal tournament cost. User contest entry fees are 90% real cash and 10% bonus cash, unless the user does not have real cash in their account.

SCENARIO: BOTH USERS PAY WITH REAL & BONUS CASH FOR \$1.00 PRIZE

- Winner receives \$0.94 of Real Cash and \$0.06 of Bonus Cash
- Skillz receives \$0.13 (\$0.06 in Rev. Reduction or S&M)
- Developer receives \$0.01

Illustrative P&L Impact

		
	Player 1	Player 2
	(Loss)	(Win)
Contest Entry		
Real Cash	\$0.54	\$0.54
Bonus Cash	\$0.06	\$0.06
Total	\$0.60	\$0.60
Contest Results		
Real Cash	\$0.00	\$0.94
Bonus Cash	\$0.00	\$0.06
Total	\$0.00	\$1.00



	Revenue Reduction	Marketing Expense
GMV	\$1.20	\$1.20
Prizes	(\$1.00)	(\$1.00)
End-User Incentives	(\$0.06)	\$0.00
Dev. Profit Share	(\$0.01)	(\$0.01)
Revenue	\$0.13	\$0.19
Sales & Marketing		(\$0.06)
Illustrative Adj. EBITDA	\$0.13	\$0.13

If Reduction, BC goes into End-User Incentives

If Marketing, BC goes into S&M

Note: For illustrative purposes, assumes system-wide average developer profit share of 1% GMV and zero marginal tournament cost. User contest entry fees are 90% real cash and 10% bonus cash, unless the user does not have real cash in their account.

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