

**skillz**



Investor Presentation

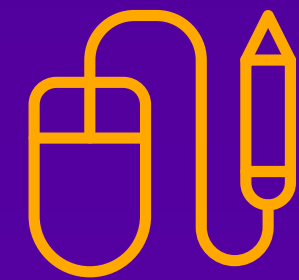
skillz

# THE FUTURE OF ENTERTAINMENT

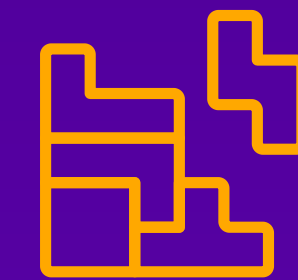




# SKILLZ EXPANDS THE GAMING ECOSYSTEM

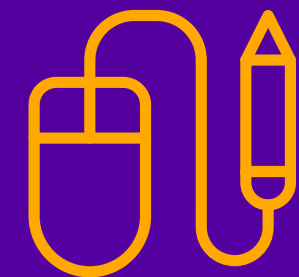


Developers to share their  
**art** with the **world**



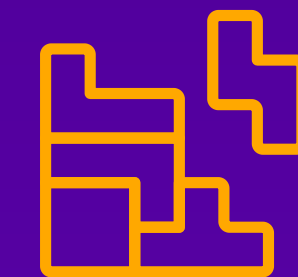
Gamers to **connect** through  
meaningful **competition**

# SKILLZ IS THE COMPETITION LAYER FOR THE INTERNET



**\$1.6B**

Gross Marketplace  
Volume (GMV)



**2B**

Tournaments Per Year



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

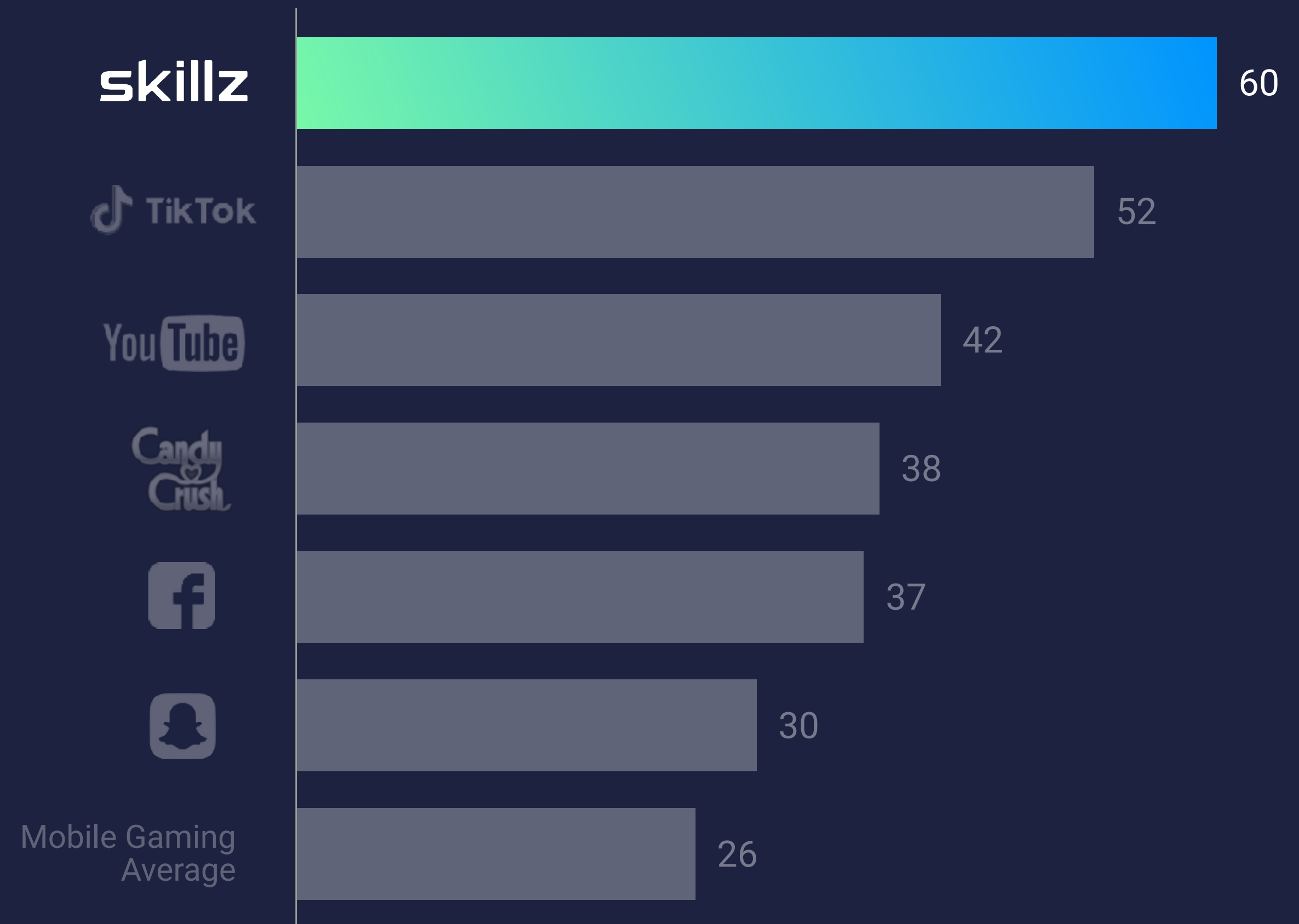




# FULFILLING A HUMAN DESIRE FOR COMMUNITY AND COMPETITION

Generating 58% higher engagement than the #1 mobile game

MINUTES PER PAYING USER PER DAY (2020)





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





# BEST-IN-CLASS RESULTS AND RECOGNITION

\$230M

Revenue  
(2020)

92%

Revenue Growth  
(2020 YoY)

95%

Gross Margin  
(2020)

17%

Payor Conversion Rate  
(Q3 '21)

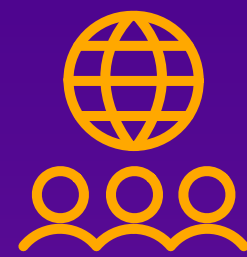




Skillz makes gaming better for everyone  
with a proprietary, highly scalable

**SOFTWARE PLATFORM**

# COMPREHENSIVE TECHNOLOGY PLATFORM



Gamer competition engine



Live ops system



Developer console

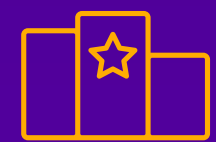


Network data science technologies



# GAMING PLATFORM

## Key Features



Tournaments and leagues



Loyalty rewards



Player rating and matching



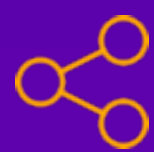
Payments



Anti-cheat & anti-fraud



Content discovery



Social features



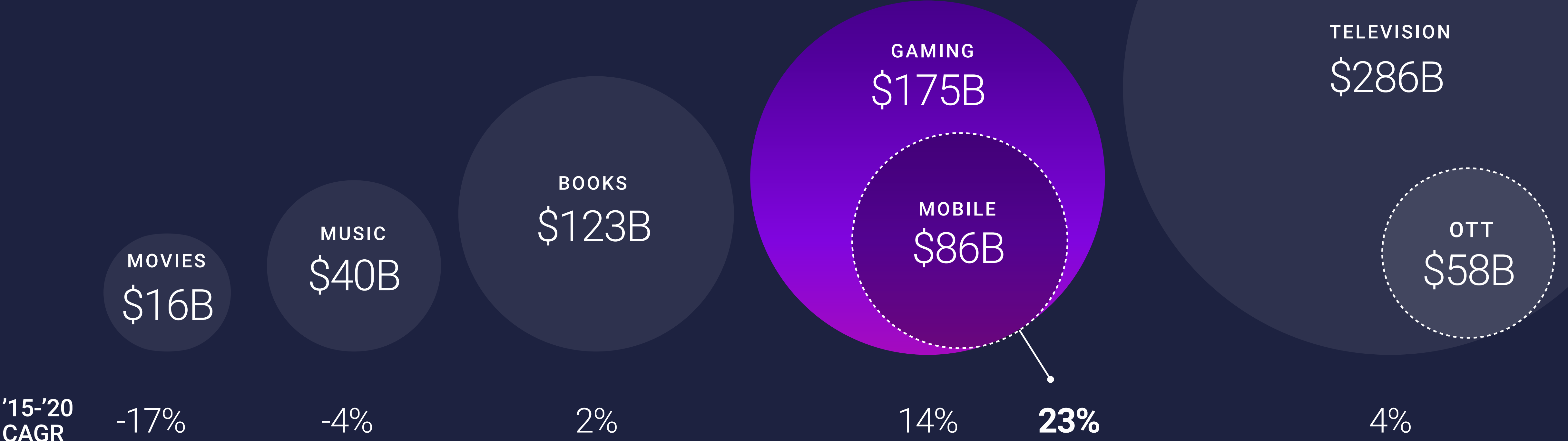
24/7 support



**MOBILE GAMING**  
**IS THE FUTURE OF ENTERTAINMENT**



# GAMING HAS ECLIPSED MOVIES, MUSIC, AND BOOKS



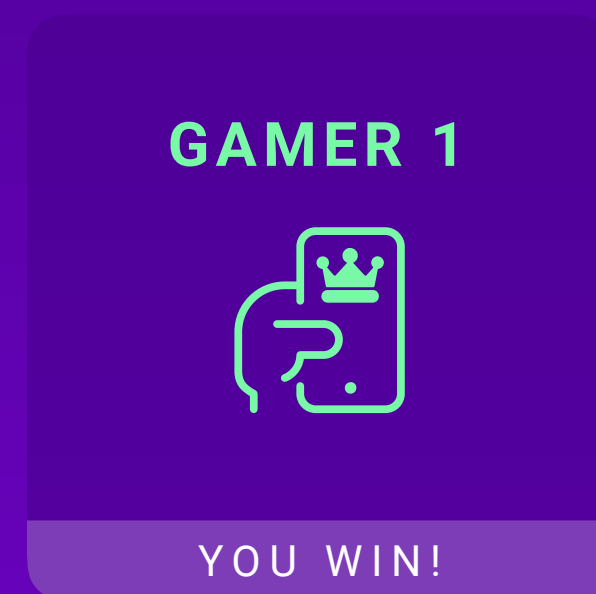
Source: Newzoo, PWC, Grandview Research. OTT is "over the top" (i.e. streaming media offered directly to viewers via the internet). Movies = Global Film Box Office.

**ANYONE CAN EMBRACE  
THEIR INNER CHAMPION**

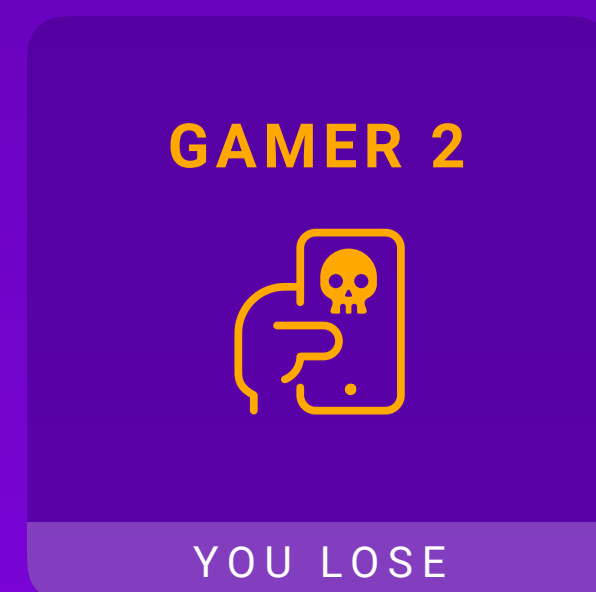




# BUSINESS MODEL



\$0.60  
Entry Fee



\$0.60  
Entry Fee

**\$1.20**

Gross Marketplace Volume

**(\$1.01)**

Prizes, Incentives & Dev Profit Share

**\$0.19**

Revenue (15.8% take-rate)

x 93%

Gross margin

**\$0.18**

Gross profit

**\$0.16**

OpEx (excl. SBC, D&A, non-recurring items and UA)

**\$0.02**

Adj. EBITDA before UA (13% of Revenue)

Note: All dollar amounts are illustrative and based on actual take-rate and margin structure and reflect rounding. Adjusted EBITDA is defined as EBITDA before non-recurring items and stock-based compensation ("SBC"). D&A means Depreciation and Amortization. UA or UA Marketing is the total cost to acquire new users in that period. UA Marketing was \$55.2 million in Q3 '21. See Appendix for a reconciliation of Adjusted EBITDA to the most comparable GAAP metrics.



# GAMING FOR GOOD (G4G)

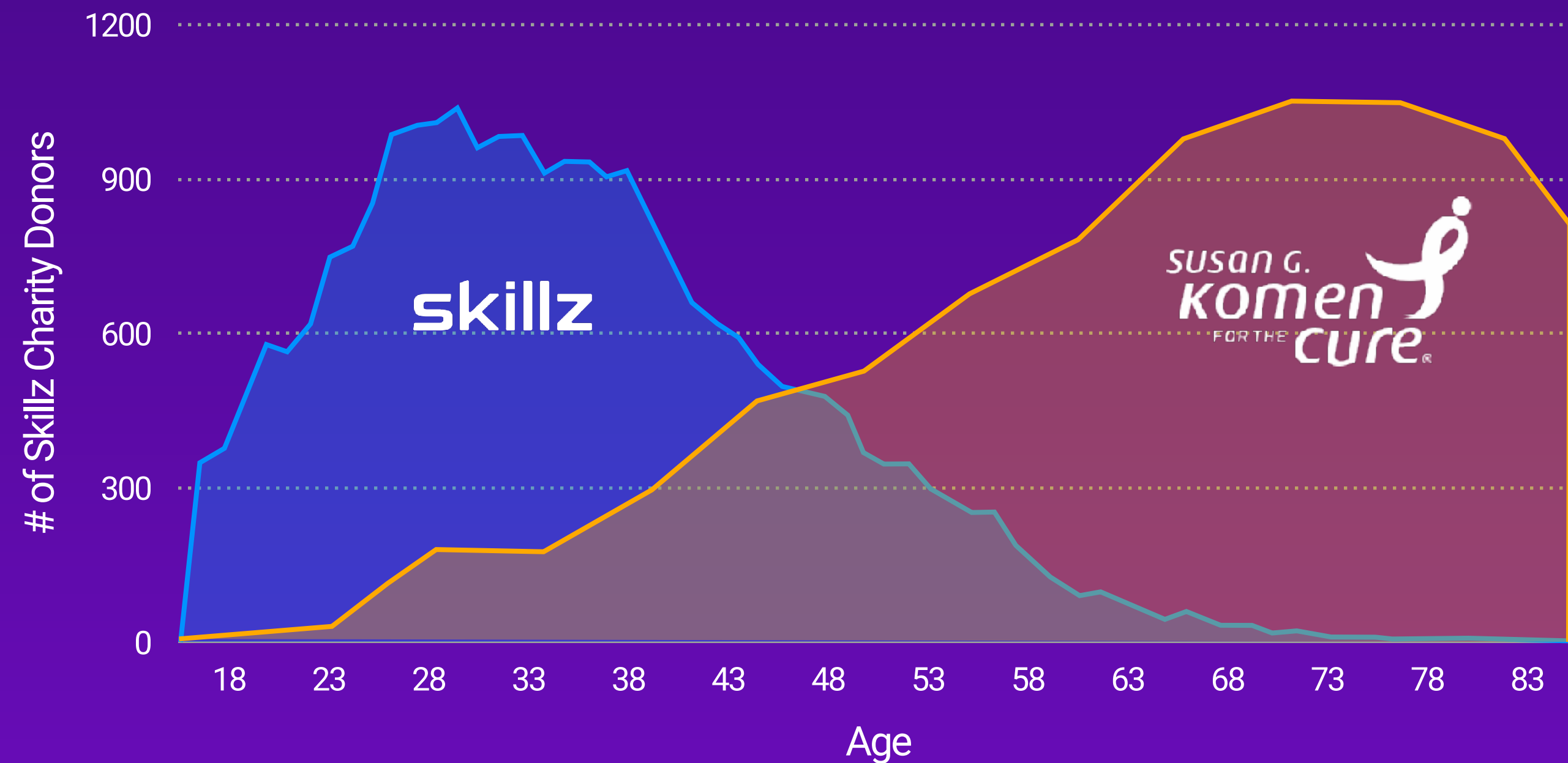
Skillz enabled Komen® to reach an entirely new demographic

23%

More Raised by Skillz than Komen expected

25K+

New non-profit donors across 10 events



# STRATEGIC BRAND PARTNERSHIPS

Non-profits



For-profits





# MORE GAME DEVELOPERS EQUALS MORE GAMES



**30,000 (2009)**



Game Developers



**10 million (today)**

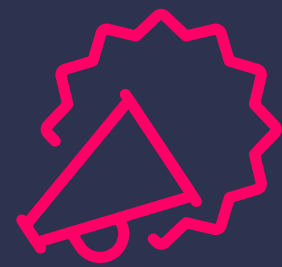


Game Developers



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

# THE OLD BUSINESS MODELS



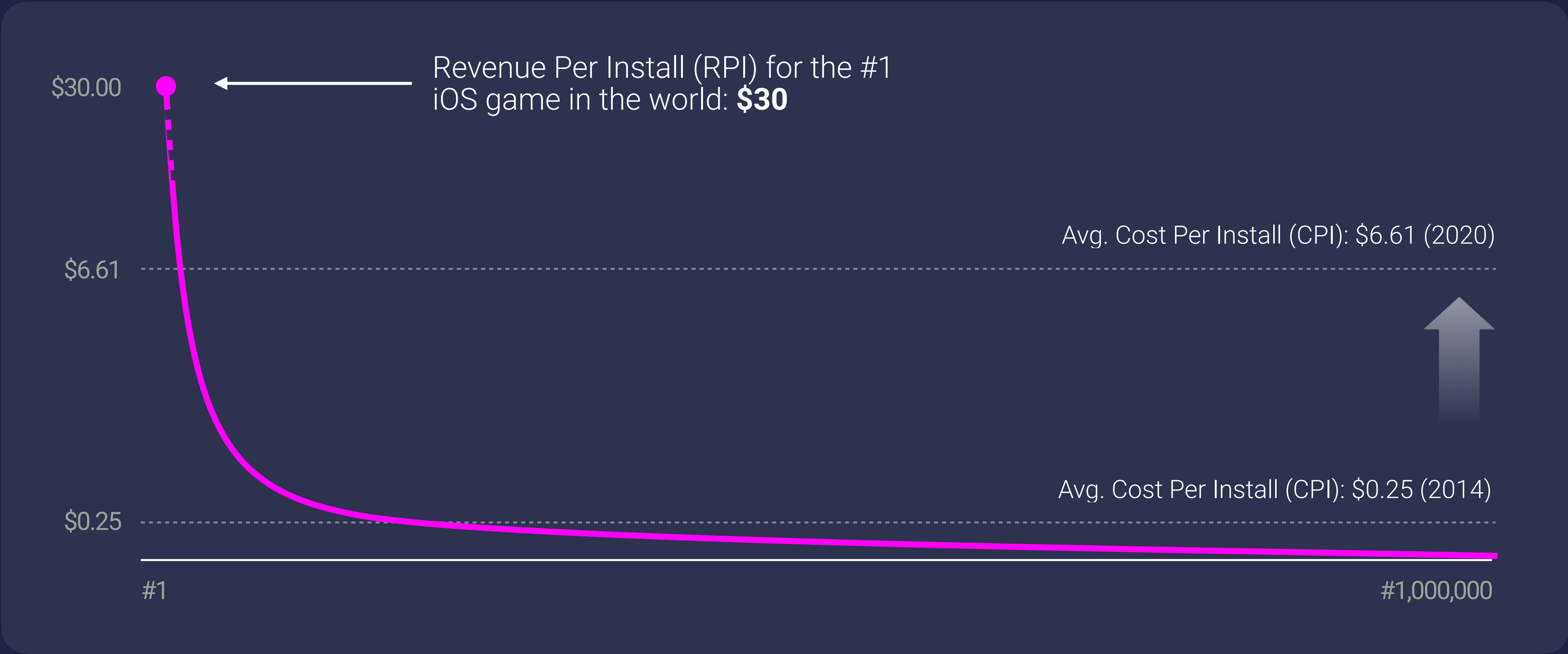
**Ads** interrupt  
gameplay



**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 (2020)



# 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



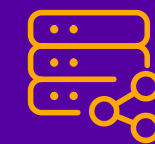
Anti-fraud and payments



Customer support



Event ops



Managed server hosting



Marketing-as-a-service



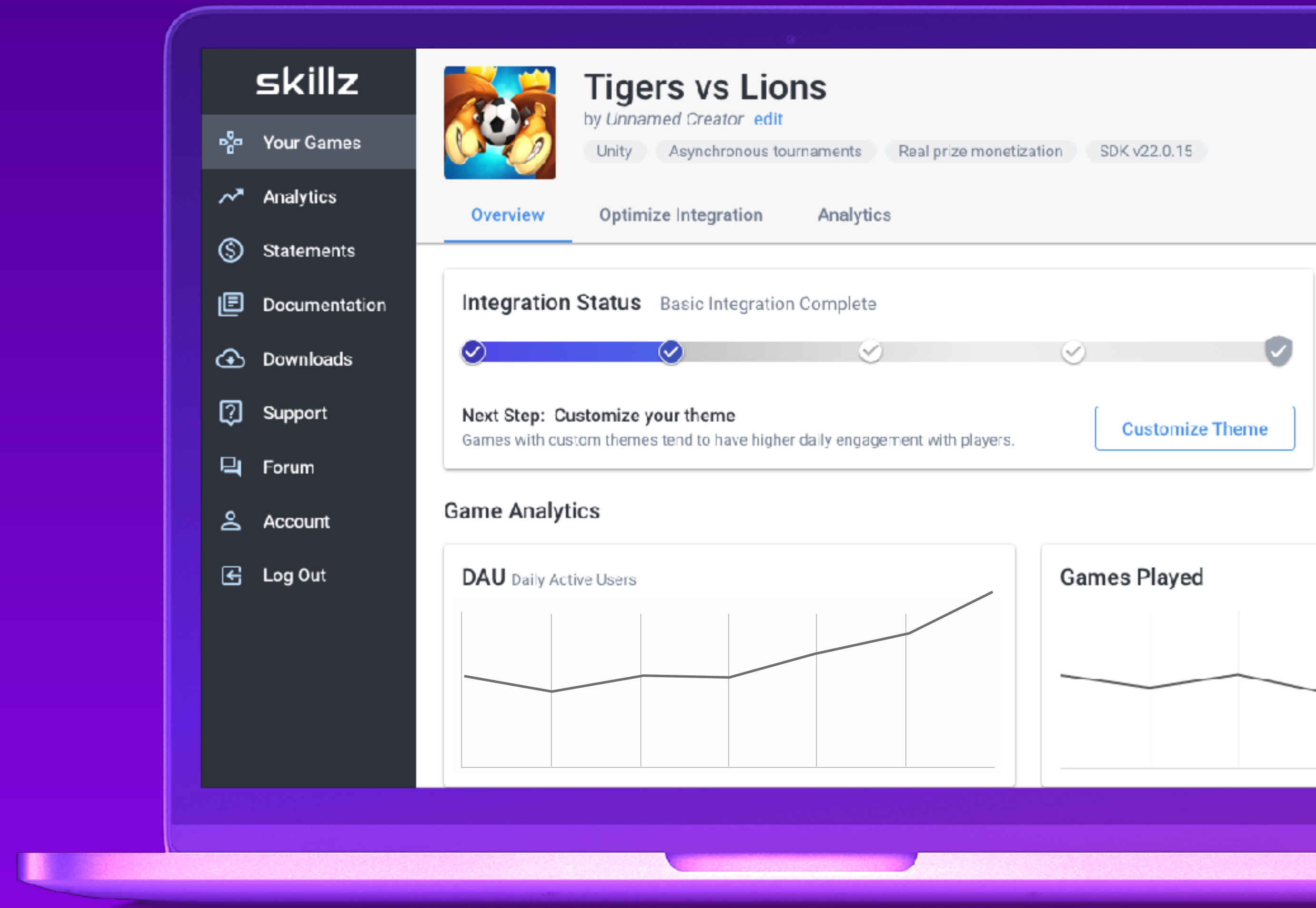
Prize fulfillment



Game launch optimization



Analytics



# LIVE OPERATIONS

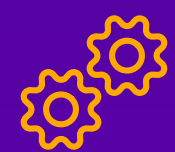
## Key Features



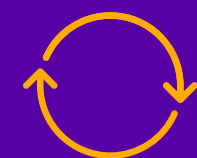
Multi-variate testing



Player incentive optimization



Cross-application personalization



Lifecycle engagement marketing

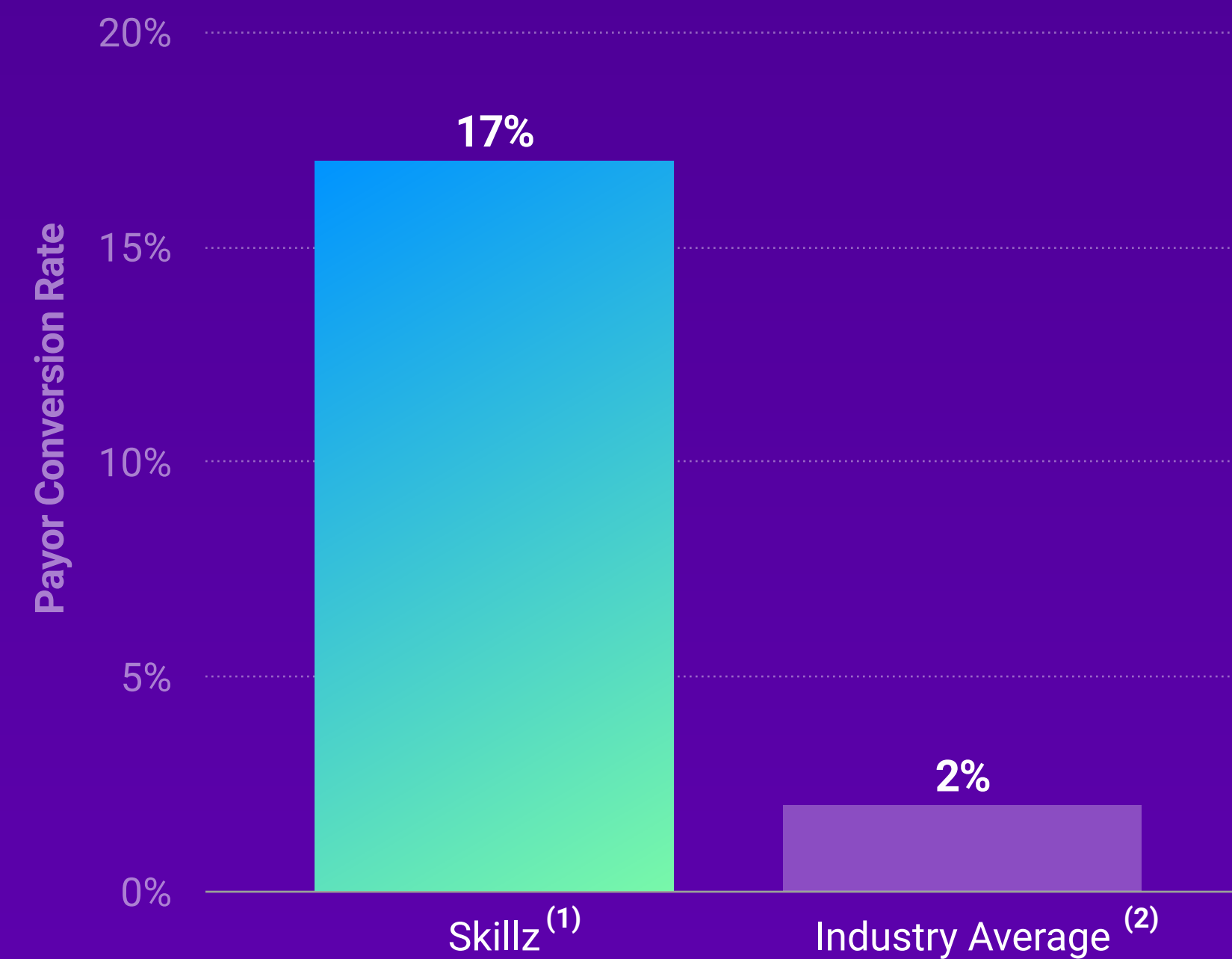


Charity events



Brand-sponsored tournaments

## PAYOR CONVERSION RATE



Note: (1) Based on Q3'21 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



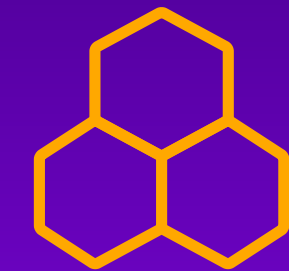
Anti-cheat and  
anti-fraud



Player rating and  
matching



Algorithmic skill vs.  
chance testing



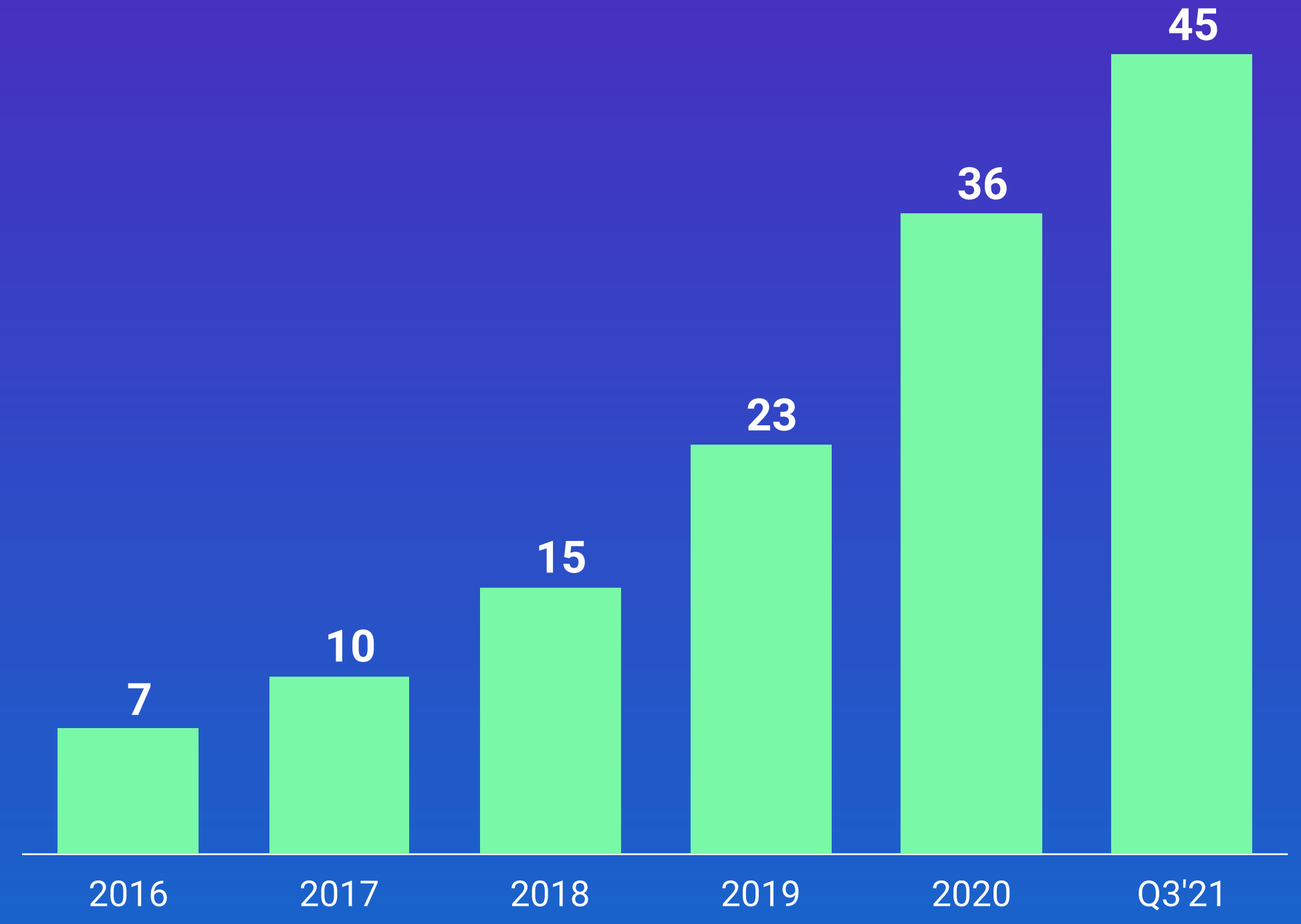
Segmentation  
engine

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

# HEALTHY AND GROWING DEVELOPER ECOSYSTEM

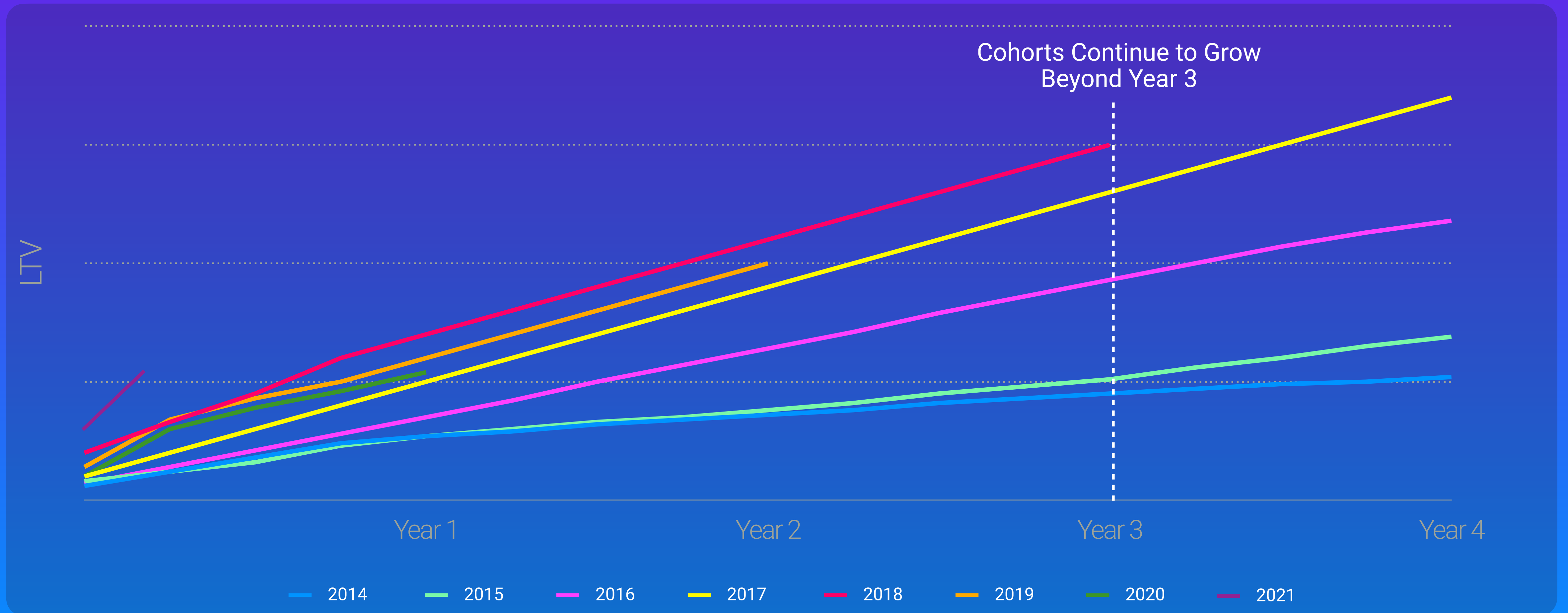


# OF GAMES >\$1M ANNUALIZED GMV





# BUILDING ON LONG-LIVED USER COHORTS



**CAPITAL EFFICIENT**  
**WITH COMPELLING ECONOMICS**

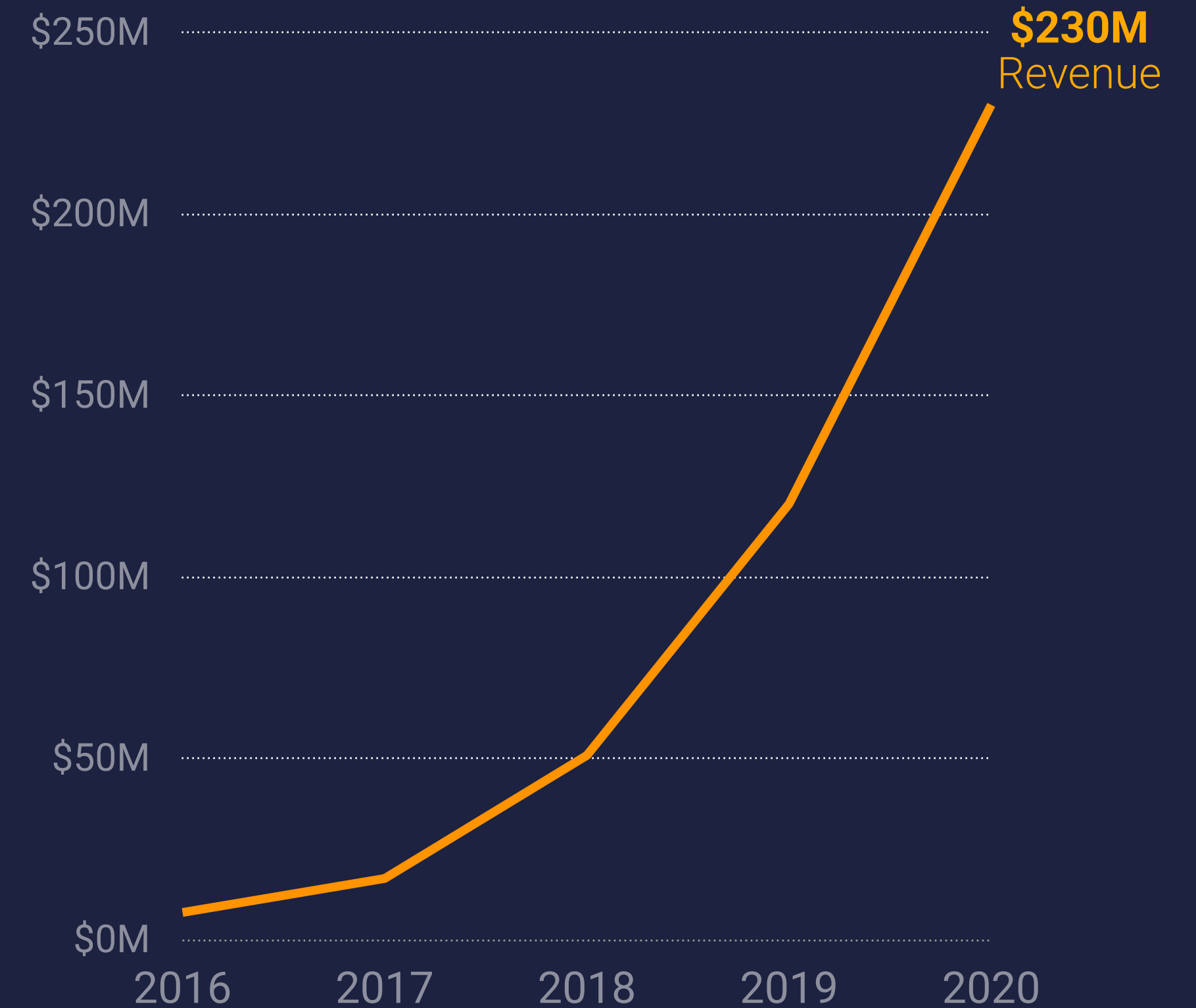
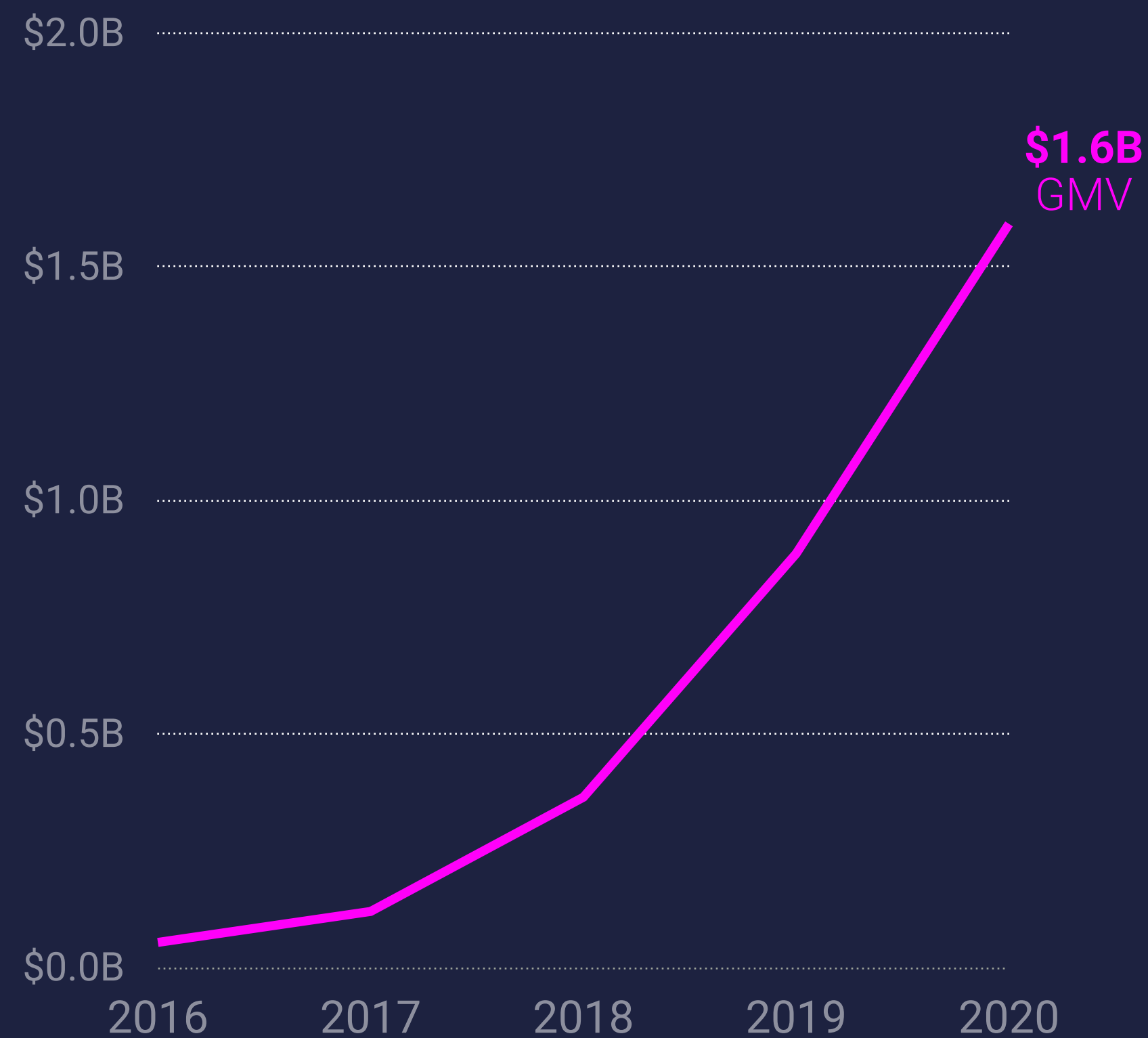
# GENERATING STRONG GROWTH WITH CAPITAL EFFICIENCY

\$215M

Total Capital Deployed\*

\$540M

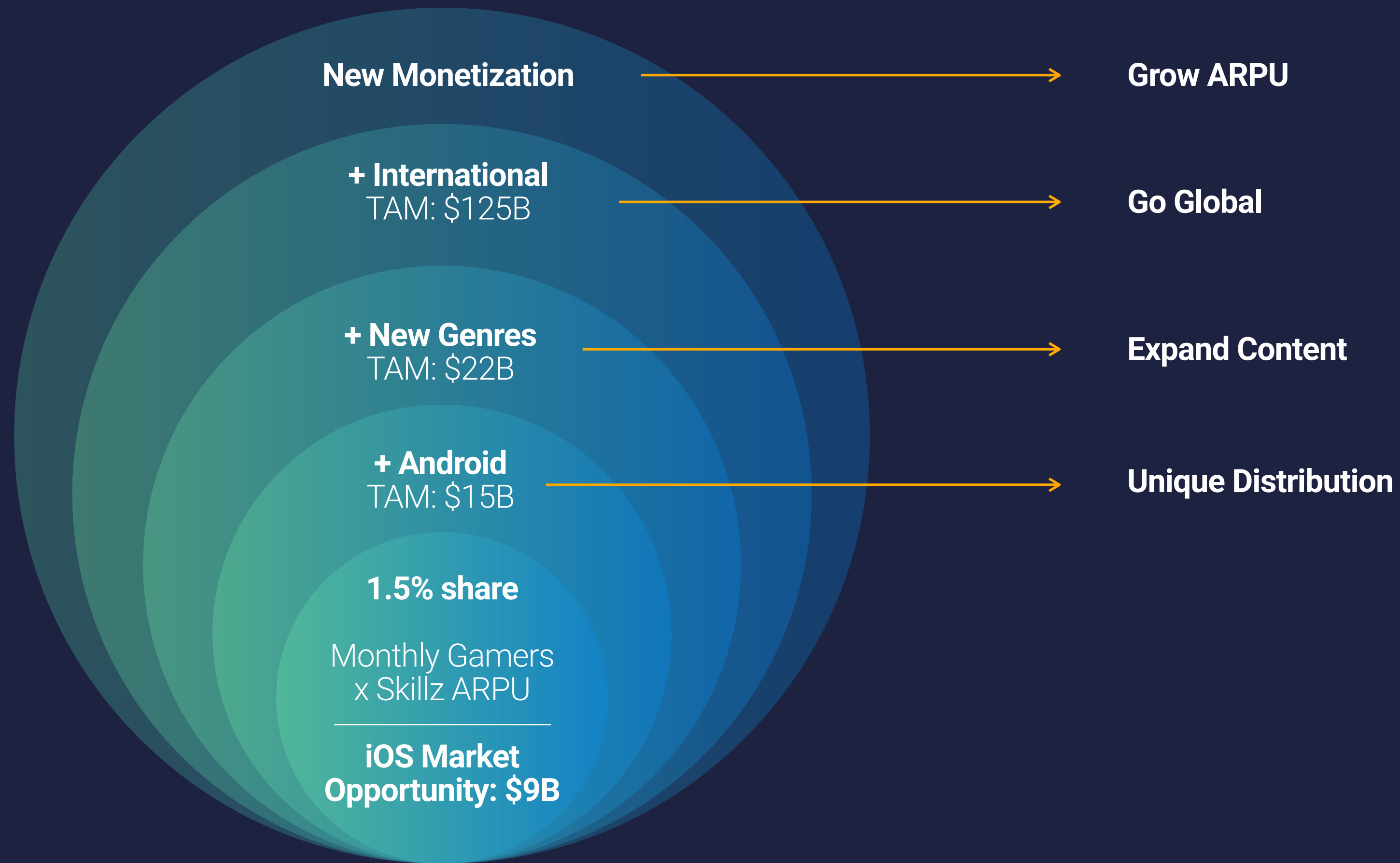
Cash & Cash Equivalents\*



Note: Total Capital Deployed is calculated based on total capital raised since inception of \$900 million less Cash & Cash Equivalents of \$540 million on balance sheet as of September 30, 2021, not including the \$95 million in cash spent on the Aarki acquisition as well as the \$50 million spent on the Exit Games investment.



# ROBUST OPPORTUNITIES TO INVEST IN GROWTH



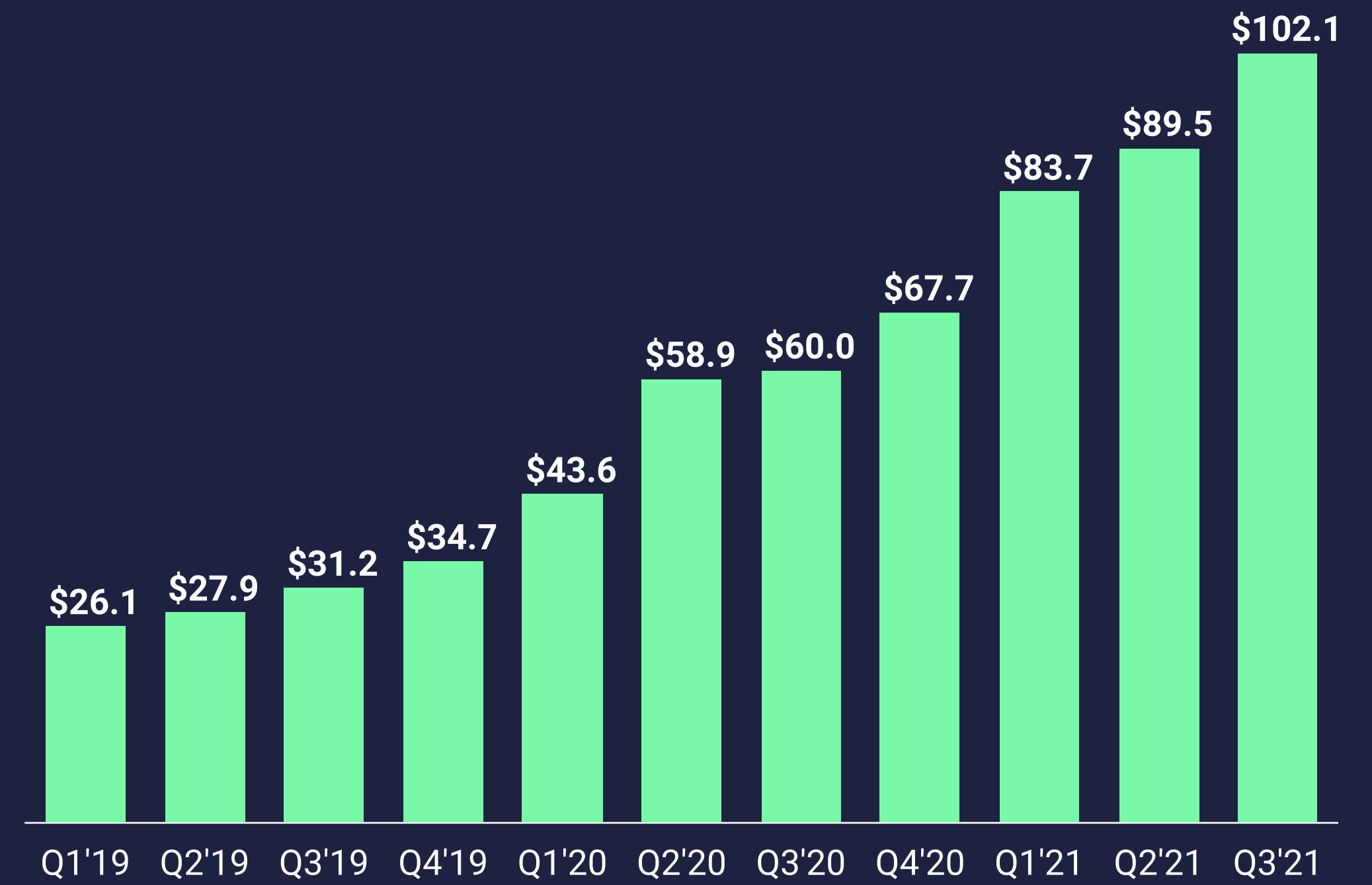
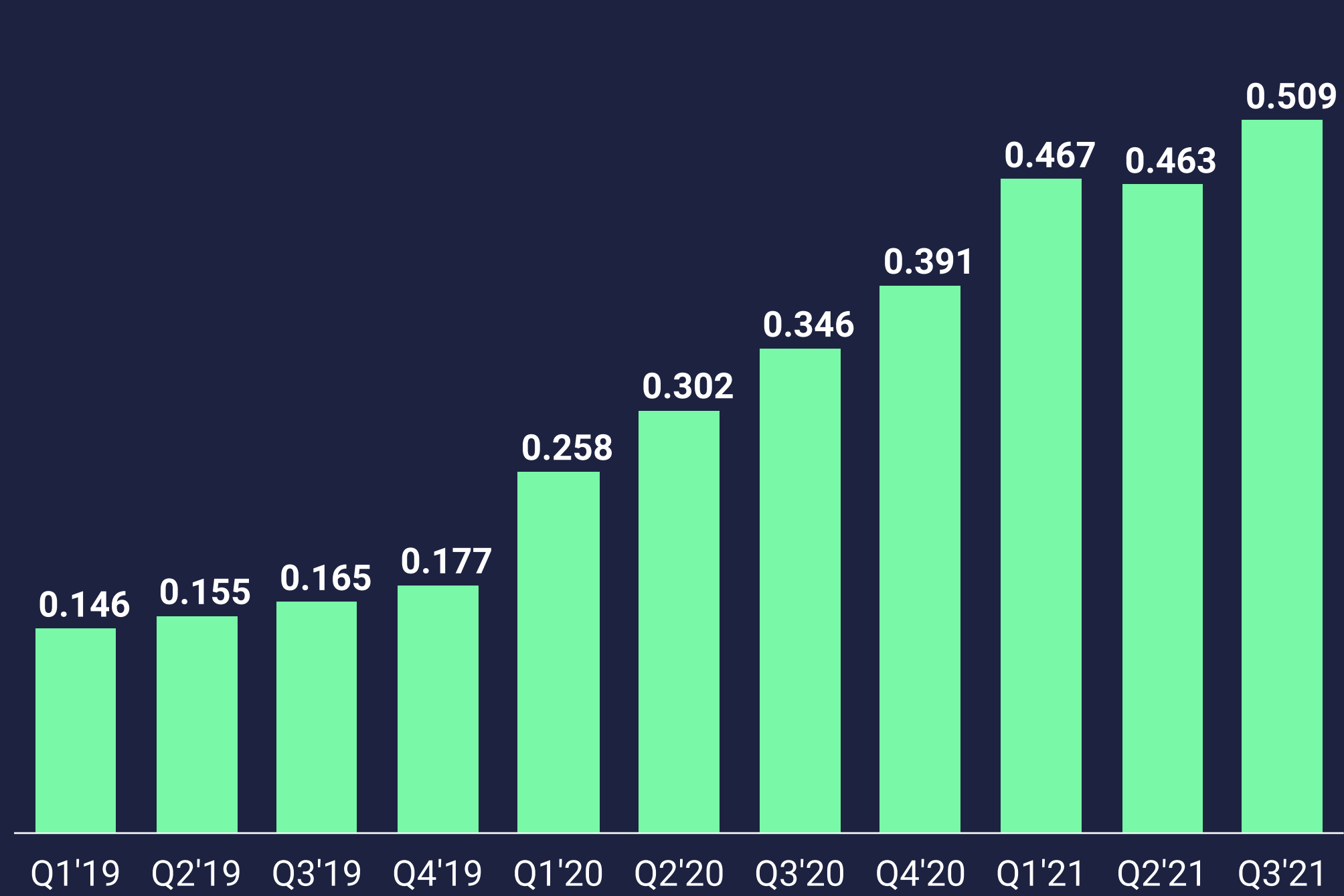
Note: TAM = Total Addressable Market in 2020 reflects management estimates based on number of gamers worldwide multiplied by Skillz ARPU, adjusted for average gamer income differences and propensity to spend on mobile games.

**THANK YOU**

# APPENDIX: GROWTH IN PAYING USERS & REVENUE

PAYING MAU (M)

REVENUE (\$M)





# APPENDIX: QUARTERLY RESULTS SUMMARY

(\$ in millions)	Q3 '20	Q3 '21	Y/Y
<b>Revenue</b>	<b>\$60.0</b>	<b>\$102.1</b>	<b>70%</b>
Adj. EBITDA	(\$24.4)	(\$41.7)	nm
Adj. EBITDA Margin	(40.8%)	(45.5%)	

# APPENDIX: QUARTERLY SUPPLEMENTAL METRICS

(\$ in millions)	Q3 '20	Q3 '21	Y/Y
<b>GMV</b>	<b>\$411</b>	<b>\$611</b>	<b>49%</b>
Take Rate	14.6%	15.8%	
Paying MAU	0.346	0.509	47%
ARPPU	\$58	\$67	16%
MAU	2.7	3.0	11%
ARPU	\$7.44	\$11.40	53%

Note: Paying MAU refers to the number of end-users who entered into a contest on our platform at least once in a given month, averaged over each month in the quarter. Average Revenue Per Paying Monthly Active User ("ARPPU") refers to the average revenue in a given month divided by Paying MAU in that month, averaged over the quarter. Monthly Active Users ("MAU") refers to the number of end-users who entered into a contest on our platform at least once in a given month, averaged over each month in the quarter. Average Revenue Per Monthly Active User ("ARPU") refers to the average revenue in a given month divided by MAU in that month, averaged over the quarter.

# APPENDIX: RECONCILIATION TO NON-GAAP ITEMS

(\$ in millions)	Q3 '20	Q3 '21
Net Loss	(\$42.8)	\$50.8
Interest Expense, net	0.0	0.1
Change in fair value of common stock warrants liabilities	-	(113.6)
Stock-based Compensation	3.7	15.8
Provision for Income Taxes	0.0	(18.9)
Depreciation and Amortization	0.5	5.0
Other non-operating costs (income)	14.2	(0.0)
Transaction related expenses	-	6.0
Loss contingency accrual	-	11.6
One-time nonrecurring expenses	-	1.5
<b>Adjusted EBITDA</b>	<b>(\$24.4)</b>	<b>(\$41.7)</b>



# APPENDIX: BALANCE SHEET & CAPITALIZATION

(\$ in millions)	As of 9/30/21	(Millions)	As of 9/30/21
Cash & Cash Equivalents	\$540.3	Common Stock	408.1
Prepaid Expenses and Other Current Assets	17.3	Warrants Outstanding	4.5
Other Assets	253.5	Options & RSUs Outstanding	30.2
<b>Total Assets</b>	<b>\$811.1</b>	<b>Fully Diluted Shares</b>	<b>442.8</b>
Current Liabilities	\$80.2		
Common Stock Warrant Liabilities	12.3		
Debt	0.0		
Total Liabilities	106.8		
Stockholders' Equity	704.3		
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$811.1</b>		

# 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

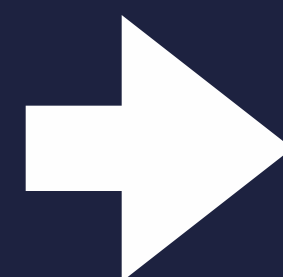


## Contest Entry

Real Cash	\$0.60	\$0.60
Bonus Cash	\$0.00	\$0.00
<b>Total</b>	<b>\$0.60</b>	<b>\$0.60</b>

## Contest Results

Real Cash	\$0.00	\$1.00
Bonus Cash	\$0.00	\$0.00
<b>Total</b>	<b>\$0.00</b>	<b>\$1.00</b>



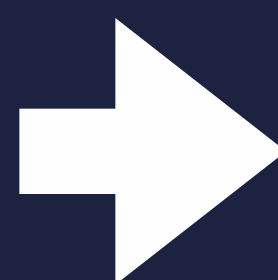
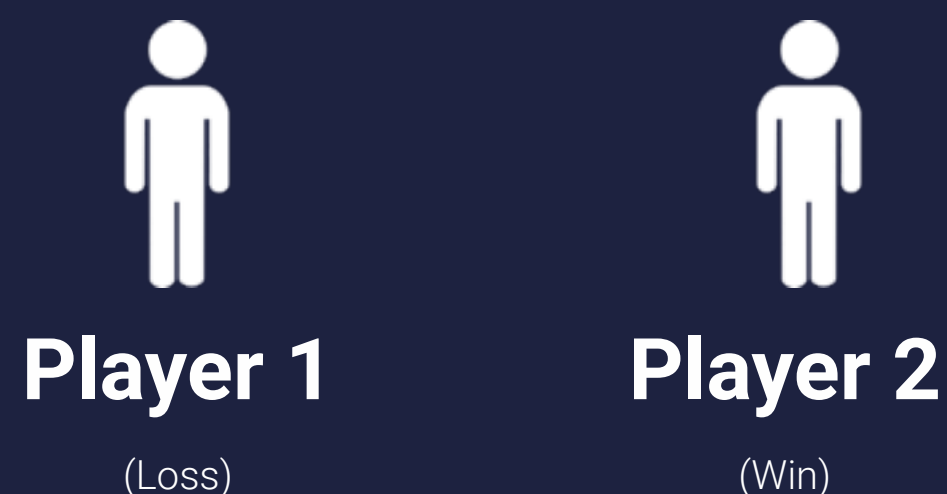
## Illustrative P&L Impact

GMV	\$1.20
Prizes	(\$1.00)
End-User Incentives	\$0.00
Dev. Profit Share	(\$0.01)
<b>Revenue</b>	<b>\$0.19</b>
<b>Illustrative Adj. EBITDA</b>	<b>\$0.19</b>

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)
<b>Revenue</b>	<b>\$0.13</b>	<b>\$0.19</b>
Sales & Marketing		(\$0.06)
<b>Illustrative Adj. EBITDA</b>	<b>\$0.13</b>	<b>\$0.13</b>

If Reduction, BC goes into End-User Incentives

If Marketing, BC goes into S&M

### Contest Entry

Real Cash	\$0.54	\$0.60
Bonus Cash	\$0.06	\$0.00
<b>Total</b>	<b>\$0.60</b>	<b>\$0.60</b>

### Contest Results

Real Cash	\$0.00	\$1.00
Bonus Cash	\$0.00	\$0.00
<b>Total</b>	<b>\$0.00</b>	<b>\$1.00</b>

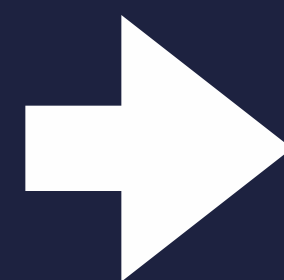
Note: For illustrative purposes, assumes system-wide average developer profit share of 1% GMV and zero marginal tournament cost. User contest entry fees are 90% real cash and 10% bonus cash, unless the user does not have real cash in their account.

# 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

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



GMV	\$1.20
Prizes	(\$1.00)
End-User Incentives	\$0.00
Dev. Profit Share	(\$0.01)
<b>Revenue</b>	<b>\$0.19</b>
<b>Illustrative Adj. EBITDA</b>	<b>\$0.19</b>

All BC is in Prizes

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



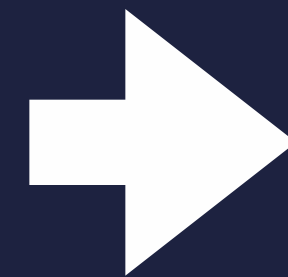
**Player 1**

(Loss)



**Player 2**

(Win)



## Illustrative P&L Impact

	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)
<b>Revenue</b>	<b>\$0.13</b>	<b>\$0.19</b>
Sales & Marketing		(\$0.06)
<b>Illustrative Adj. EBITDA</b>	<b>\$0.13</b>	<b>\$0.13</b>

If Reduction, BC goes into End-User Incentives

If Marketing, BC goes into S&M

### Contest Entry

Real Cash	\$0.54	\$0.54
Bonus Cash	\$0.06	\$0.06
<b>Total</b>	<b>\$0.60</b>	<b>\$0.60</b>

### Contest Results

Real Cash	\$0.00	\$0.94
Bonus Cash	\$0.00	\$0.06
<b>Total</b>	<b>\$0.00</b>	<b>\$1.00</b>

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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