



## Glu Mobile:

Q211 Investor Update: Think Equity G8

September 14, 2011

Eric R. Ludwig – SVP & CFO

# Safe-Harbor Statement

*This presentation contains "forward-looking" statements including those regarding the expected benefits of our acquisitions of Blammo and Griptonite, our expectation that these acquisitions will double our studio capacity, our expectation that our smartphone revenues will increase by approximately 90% in the second half of 2012 compared with the second half of 2011, our expectation that we will be able to repurpose the Griptonite teams and begin generating freemium revenues from them by the second quarter of 2012, our guidance for the third quarter of 2011 and our target operating model. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Investors should consider important risk factors, which include: the risk that Glu will be unable to successfully integrate both acquired companies and its employees and achieve expected synergies, the risk that Glu will have difficulty retaining key employees of the acquired companies; the risk that growth of smartphones and advanced networks does not grow as significantly as we anticipate or that we will be unable to capitalize on any such growth; the risk that we do not realize a sufficient return on our investment with respect to our efforts to develop social, freemium games for smartphones and advanced platforms, the risk that our development expenses for games for smartphones are greater than we anticipate; the risk that our recently and newly launched games are less popular than anticipated; the risk that our newly released games will be of a quality less than desired by reviewers and consumers; the risk that the mobile games market, particularly with respect to social, freemium gaming, is smaller than anticipated; and other risks detailed under the caption "Risk Factors" in our Form 10-Q filed with the Securities and Exchange Commission on May 5, 2011 and our other SEC filings. You can locate these reports through our website at <http://www.glu.com/investors>. These "forward-looking" statements are based on estimates and information available to us on August 2, 2011 and we are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements whether as a result of new information, future events or otherwise.*



# Use of Non-GAAP Financial Measures

Glu uses in this presentation certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with Glu's results of operations as determined in accordance with GAAP. The non-GAAP financial measures used by Glu include non-GAAP revenues, non-GAAP smartphone revenues, non-GAAP freemium revenues, non-GAAP gross margins and non-GAAP operating profit. These non-GAAP financial measures exclude the following items from Glu's unaudited consolidated statements of operations:

- Change in deferred revenues and costs of revenues;
- Amortization of intangible assets;
- Stock-based compensation expense;
- Restructuring charges;
- MIG earnout expenses; and
- Foreign currency exchange gains and losses primarily related to the revaluation of assets and liabilities.

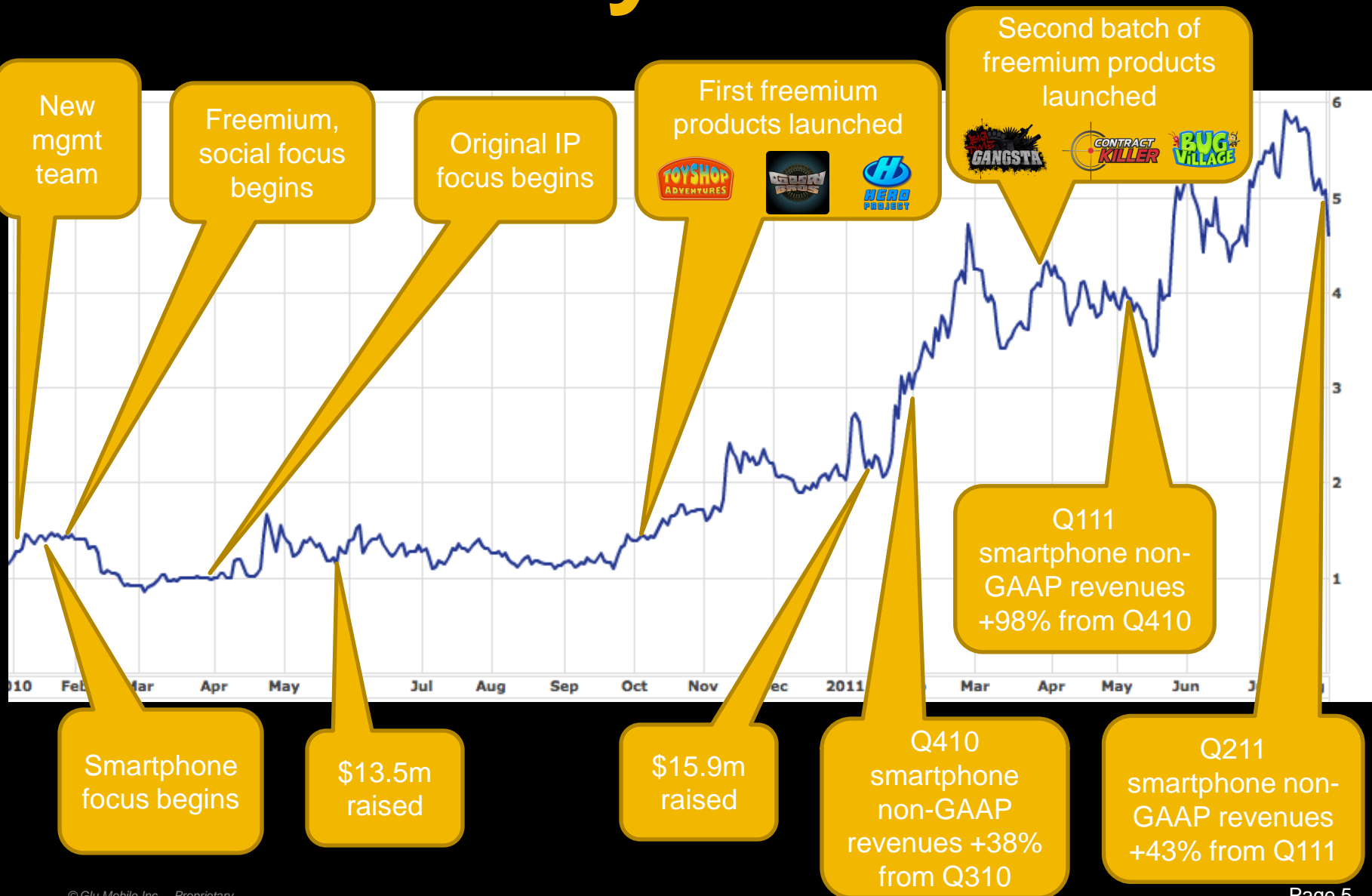
Glu believes that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding Glu's performance by excluding certain items that may not be indicative of Glu's core business, operating results or future outlook. Glu's management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing Glu's operating results, as well as when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate comparisons of Glu's performance to prior periods.

For a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, please refer to the tables attached to Glu's earnings press release for the quarter ended June 30, 2011, which is available on our website at <http://www.glu.com/investors>.

# Investment Overview

- **Glu is leading at the intersection of two macro growth trends:**
  - **Growth in mobile gaming & smartphone installed base**
  - **Growth in social and freemium gaming**
- **Q211 non-GAAP smartphone revenues up 334% from Q210**
- **Balance sheet allows investment in growth**
- **Two recently announced acquisitions provide doubling of development capacity**

# Story So Far



# Experienced Management

## **Niccolo de Masi, Chief Executive Officer and President**

- Former CEO of Hands-On Mobile
- Former CEO of Montermob Group
- Cambridge University (M.A. and Msci degrees)

## **Eric R. Ludwig, Chief Financial Officer and SVP**

- Former CFO of Instill Corporation
- Former Controller of Camstar Systems
- Price Waterhouse L.L.P.
- Santa Clara University (B.S. in Commerce) and CPA (inactive)

## **Kal Iyer, SVP, Research and Development**

- Former VP Tech Services of Glu Mobile
- Mobile architecture and infrastructure at Pumatech
- B.S. in Mathematics from Jabalpur University, India.

## **Adam Flanders, SVP, Sales & Marketing**

- Formerly at THQ Wireless, Ernst & Young LLP and Fidelity Investments
- B.S. in Finance from Bentley University, Waltham MA



# Gaming Company<sup>glu</sup> of Tomorrow

## Intersection of Two Rising Tides:

- 1) Growth in gaming on mobile devices
- 2) Growth in freemium & social gaming

# Growth Frontier

- Mobile Subscribers: Estimated to be >4 Billion in 2009, and projected to grow to >5 Billion by the end of 2014
- Smartphones: Expected to be 70% of the market by the end of 2015

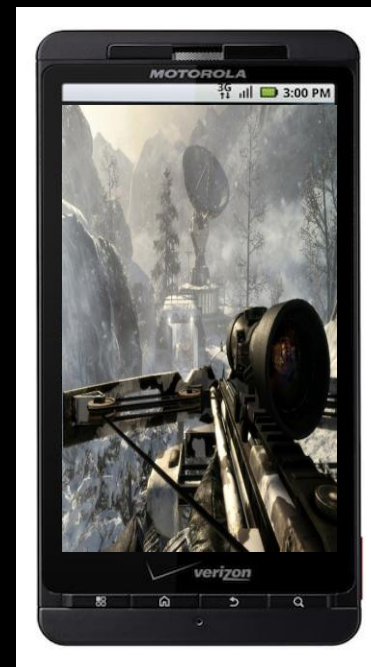


Sources: Informa Telecoms & Media; IBISWorld

# Evolution of Mobile Gaming



Now Compelling to Mass Market



- Featurephone focus
- Branded IP/72% gross margins
- Titles are packaged goods
- Premium pricing
- No community/social

- Smartphone focus
- Original IP/85%+ gross margins
- Persistent titles
- Freemium with virtual goods
- Games are social

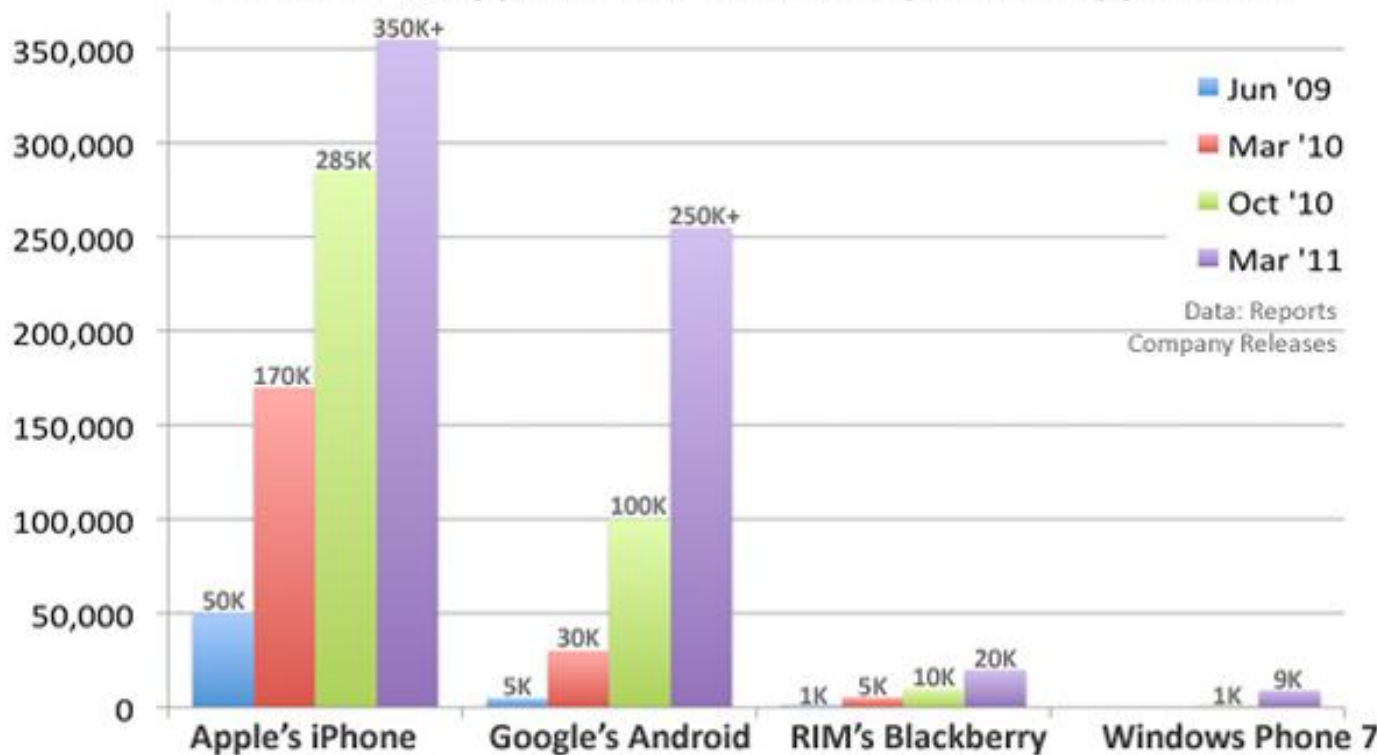
# Two Horse Race

Silicon Alley Insider



Chart of the Day

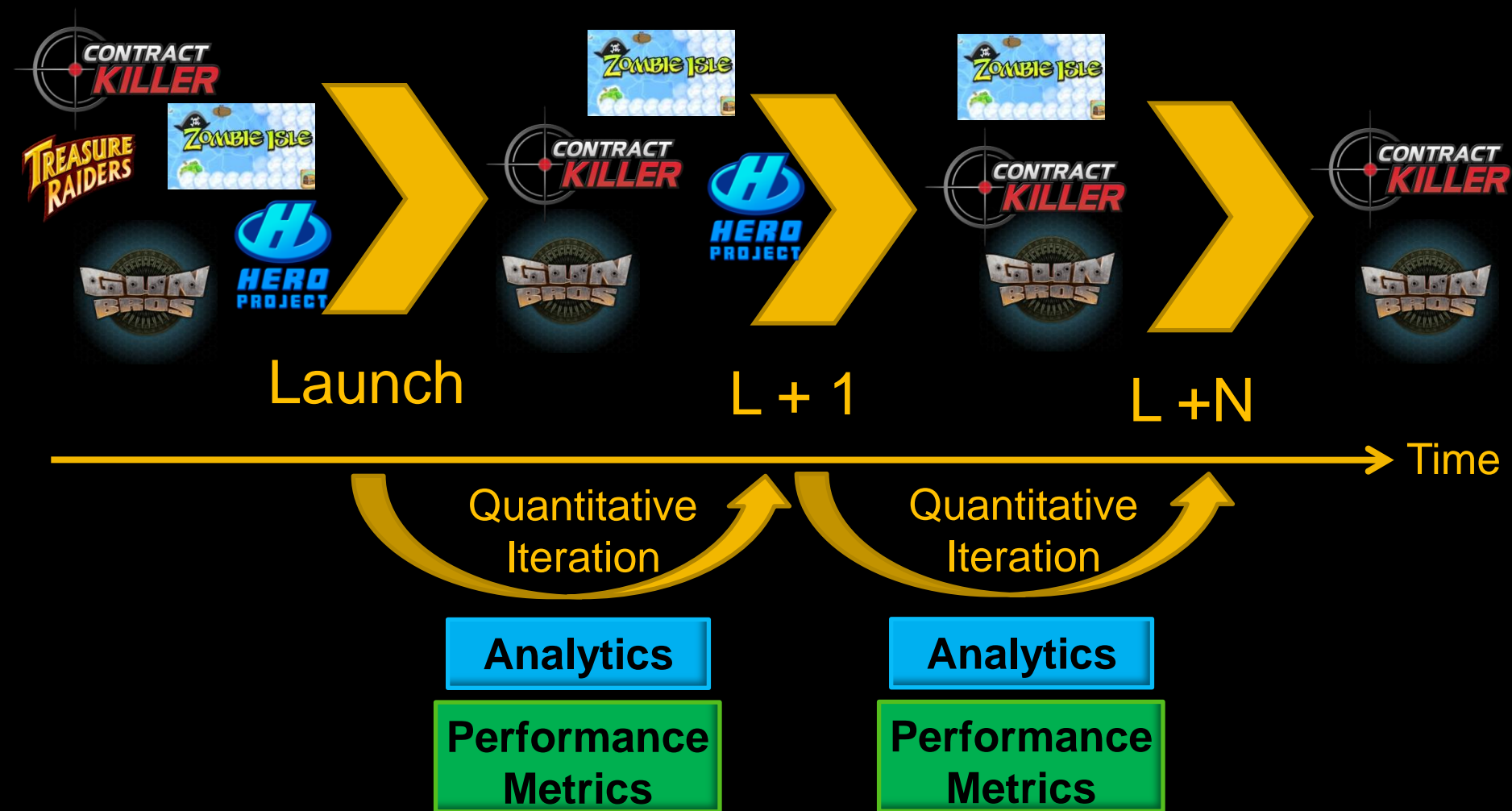
## Number Of Apps Available At Smartphones' Apps Stores











**Devices  
Installed  
to Date:**

- 200m iOS
- 100m Android
- 550,000 Android installations/day

# Games Are Live Services

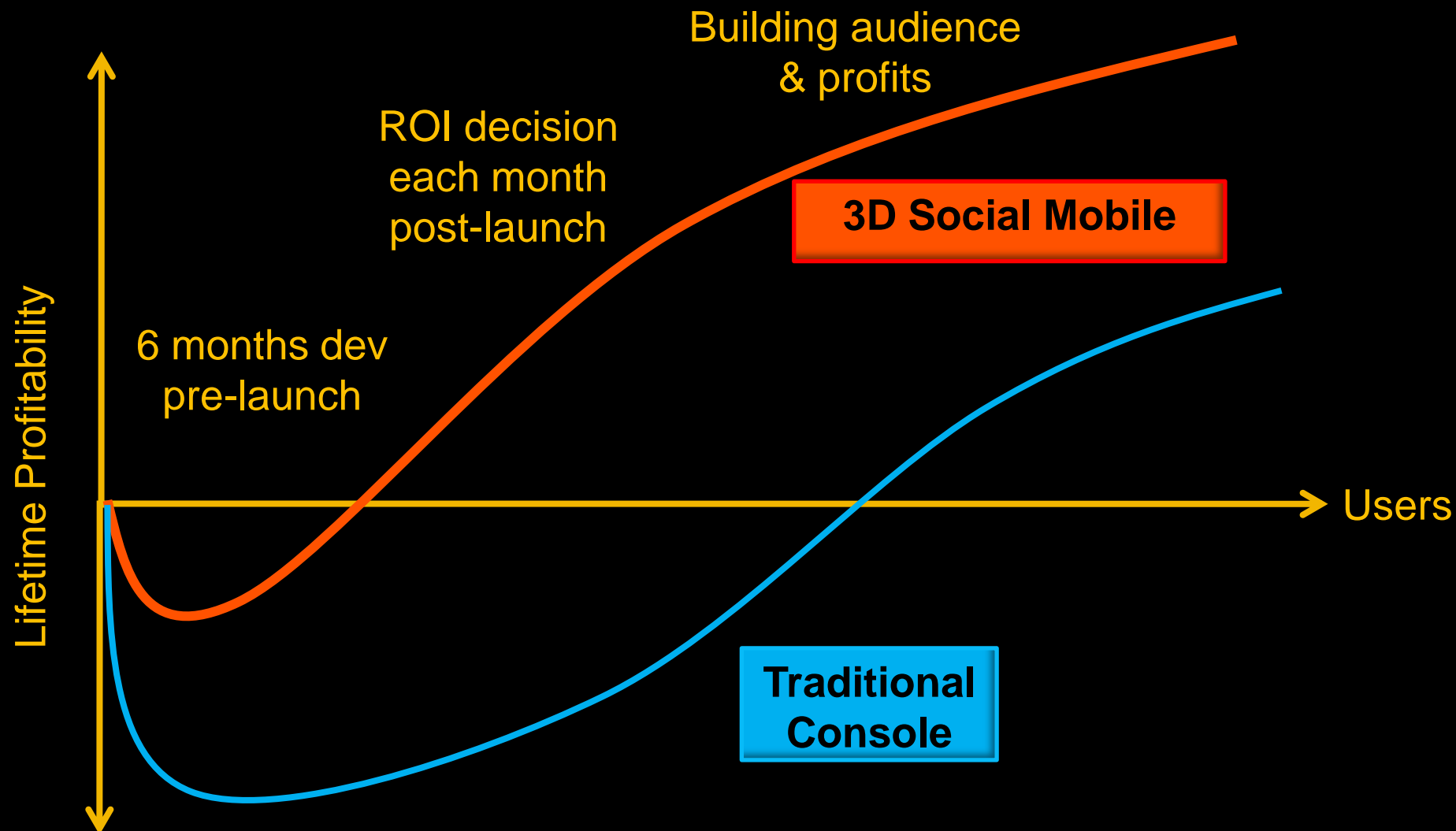


# Freemium Monetization\*

Model	% User Base	Partners	%Revenue
Microtransactions	5%*	 	75%
Display Ads – ‘CPM’	100%*	  	5%
Incented Ads – ‘CPX’	5%*	  	20%

\*Glu Mobile industry average estimates

# De-Risked Dev. Process



# Original IP Growth

Q3/10

Q4/10

Q1/11

Q2-Q3/11

none



# A Rising Tide Upon Us



# Android

- Android now installing > iOS handsets/day
- First titles launched on Android
- Among first titles launched with IAP and Honeycomb
- Extensive OEM and carrier relationships

**Distimo's List of Top iPad Game Publishers**

Publisher	Number of Apps Published on Mobile App Storefront						
	<u>iPad</u>	<u>iPhone</u>	<u>Blackberry</u>	<u>Nokia</u>	<u>Windows</u>	<u>Palm</u>	<u>Getjar</u>
Chillingo	68	173	3	5	0	0	33
Gameloft	58	155	157	91	5	32	0
Electronic Arts	23	95	214	82	5	31	9
<b>Glu Mobile</b>	<b>16</b>	<b>49</b>	<b>62</b>	<b>23</b>	<b>3</b>	<b>14</b>	<b>31</b>
Backflip Studios	13	20	0	0	0	0	3
Outfit 7	10	12	0	0	0	0	1
Rovio Mobile	5	5	0	11	0	0	2
Halfbrick Studios	5	6	0	2	0	0	1

Source : Distimo

## Many Can Play

OS's

iPhone

Social  
Networks



OEMs



Carriers



Storefronts



## Only Glu Has the Reach



# Demo: Q411 - Next Four Titles





# Q211 Financial Update

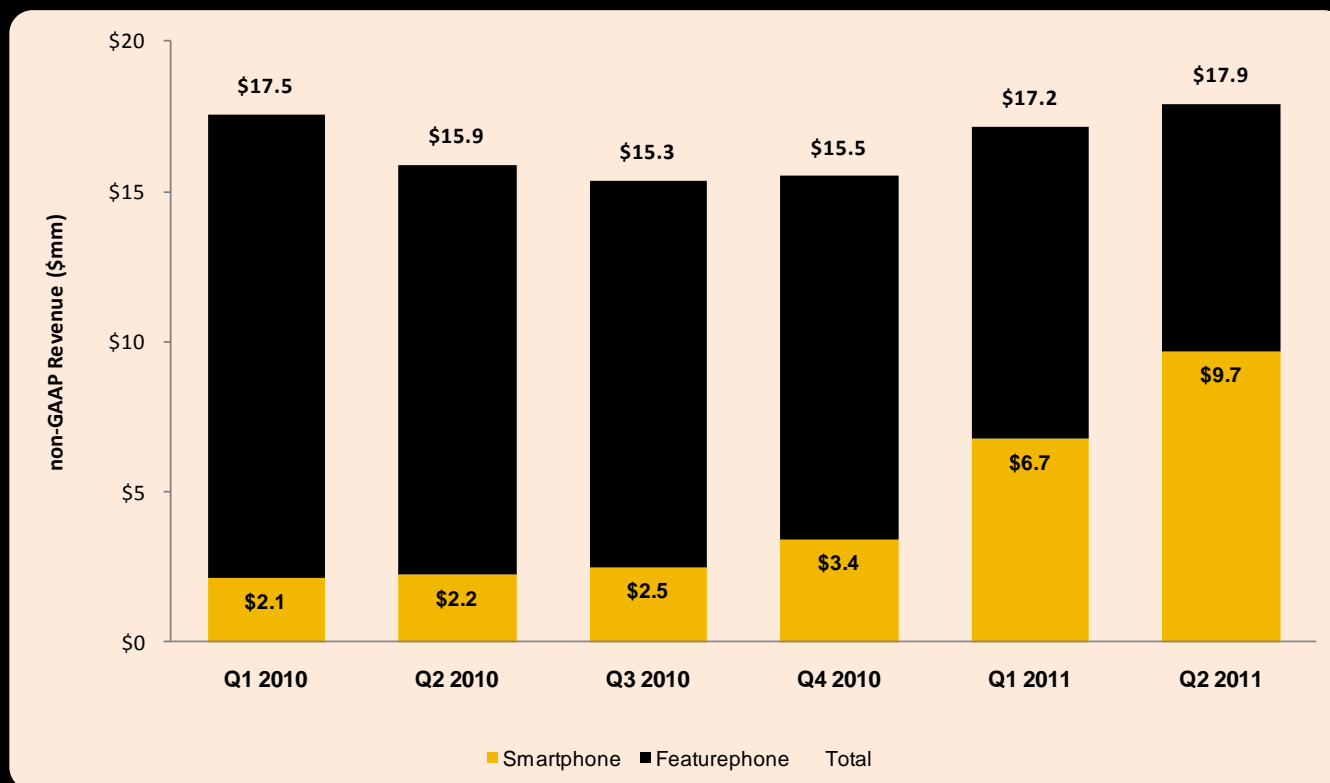
# Q211 Results

- 31.8m new installs and 101.9m total installs of our games
- Featurephone and smartphone revenues significantly above guidance with total revenue growth Q/Q and Y/Y
- Smartphone revenue >50% for first time ever, and earlier than anticipated
- Original IP 49% of total non-GAAP revenues and 73% of non-GAAP smartphone revenues with non-GAAP Gross Margins at 83%
- Opex favorable and small non-GAAP operating profit
- \$26.4m cash significantly above expectations due to warrant and option exercises

# Smartphone Revenue Momentum

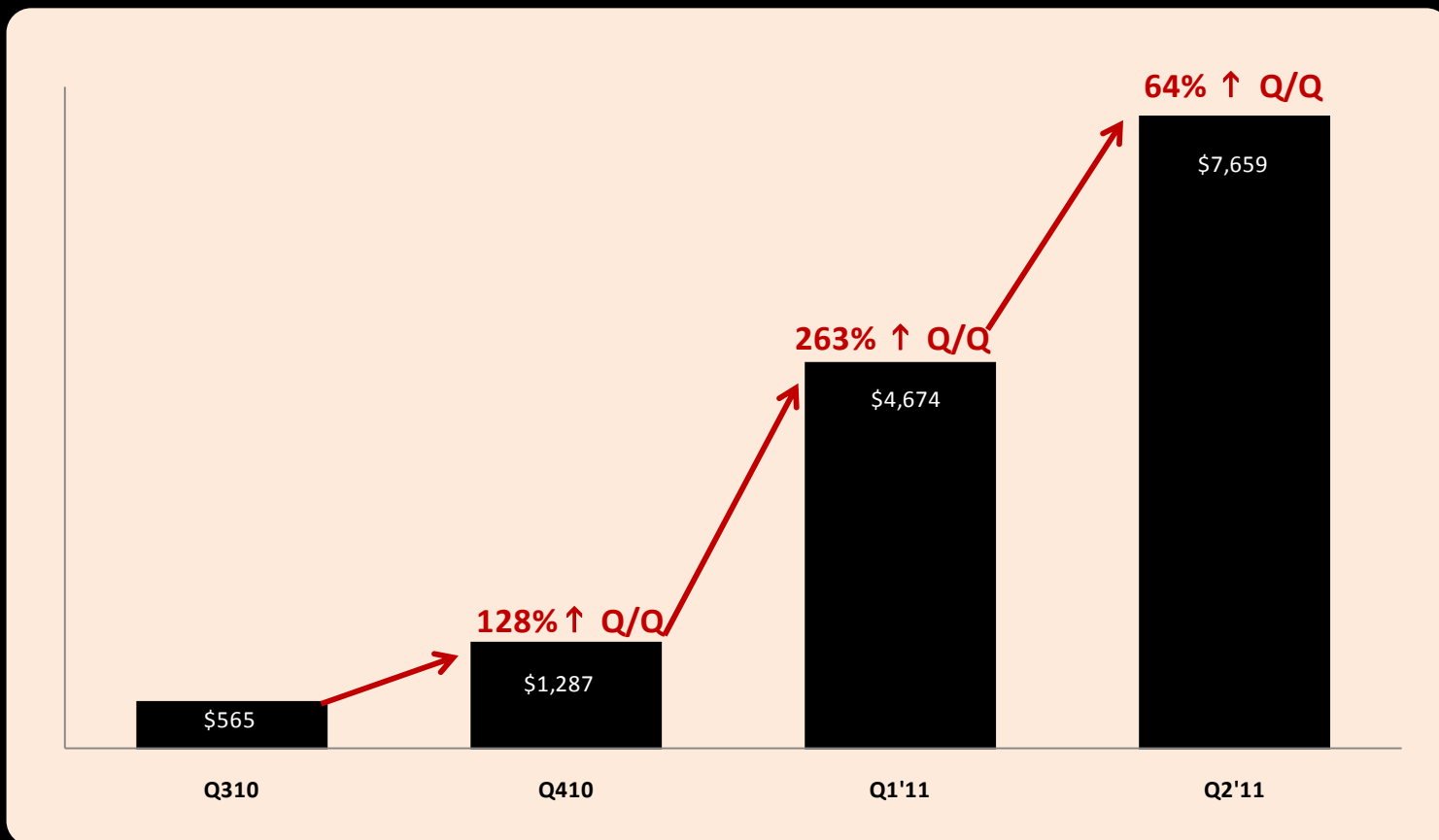
Q211 non-GAAP smartphone revenue:

- 54% of total non-GAAP revenue up from 39% in Q111
- Up 43% Q/Q and 334% Y/Y



# Freemium Revenue Acceleration

- Q2'11 non-GAAP freemium revenue continues to grow Q/Q



# Gross Margins Have Improved due to Original IP Traction

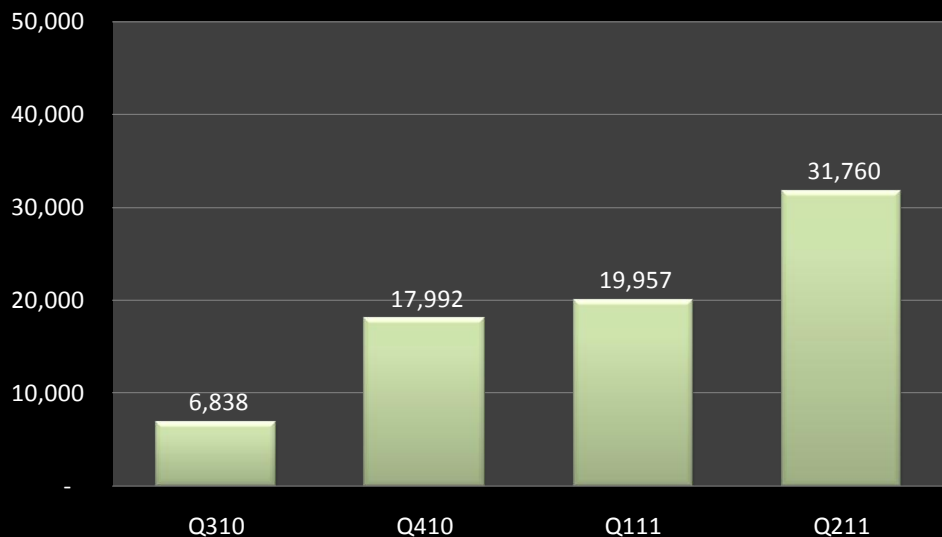
- Original IP: 49% of total non-GAAP revenues/73% of non-GAAP smartphone revenues in Q211
- Non-GAAP gross margins: Increased to 83% in Q211



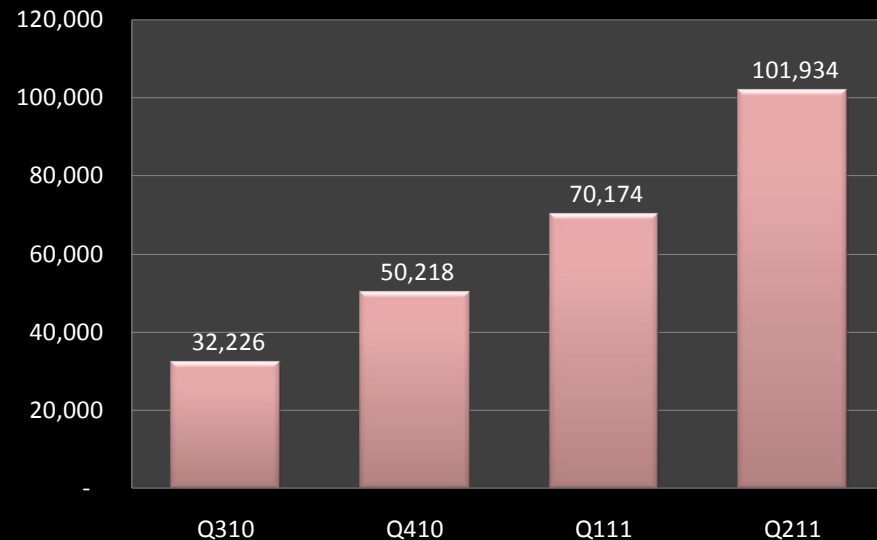
<sup>1</sup> Non-GAAP Revenue and Non-GAAP Gross Margins, Q210 includes \$663K royalty impairment and Q111 includes \$371K

# Continued momentum in new users

Quarterly Installs (in 000s)



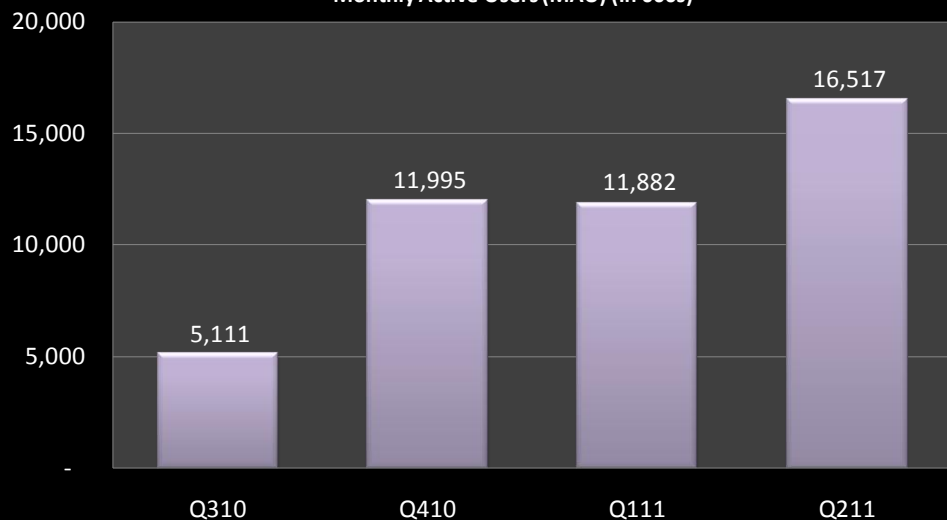
Cumulative Installs (Lifetime) (in 000s)



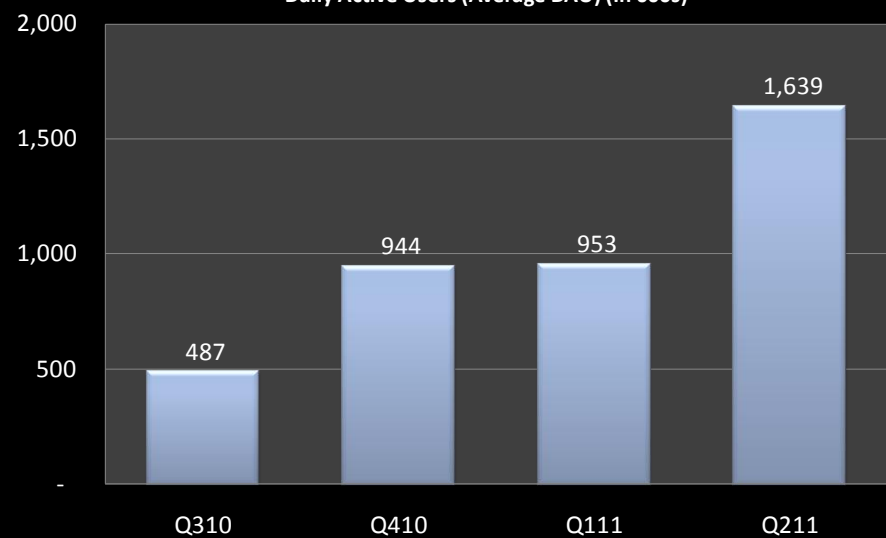
Installs, cumulative installs, monthly active users (MAU) and daily active users (DAU) from iOS, Android and Facebook platforms

# Growing MAU & DAU

Monthly Active Users (MAU) (In 000s)

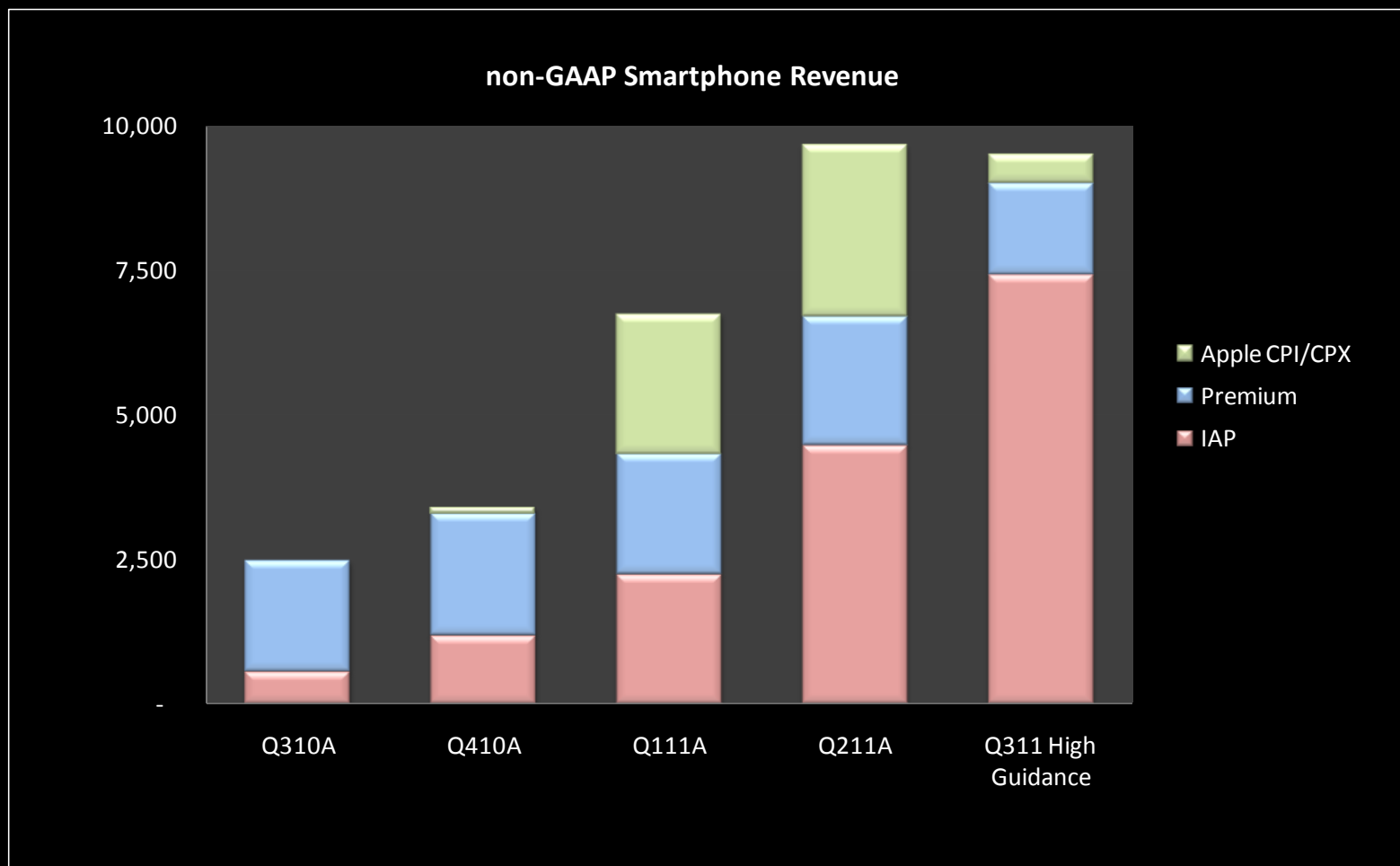


Daily Active Users (Average DAU) (In 000s)



MAU and DAU figures are for last month of calendar quarter (i.e. September 2010, December 2010, March 2011, and June 2011)

# Strong IAP Growth





# Acquisitions

# Glu + Griptonite + Blammo

Social, mobile gaming space consolidating at accelerating rate

Glu has proven fiscally conservative, has balance sheet strength and believes time to forward spend is now

Griptonite approximately doubles Glu's internal capacity

Blammo brings casual social gaming DNA



# Blammo Games: Overview



Social, freemium gaming team with proven track record. Former studio team who built:

- Smurfs' Village
- Zombie Café
- Lil' Pirates

Glu already had relationship for 2 products (Q112 & Q212)

Adding proven casual, freemium DNA

# Consideration: Base & Earnout

1m shares now plus earnout for maximum of 3,312,937 more over 3.5 years

Straight line payout of shares between baseline and upside revenue targets

4 key employees in mgmt team

Shareholder key employees signing 3.5 year employment contracts & non-competes

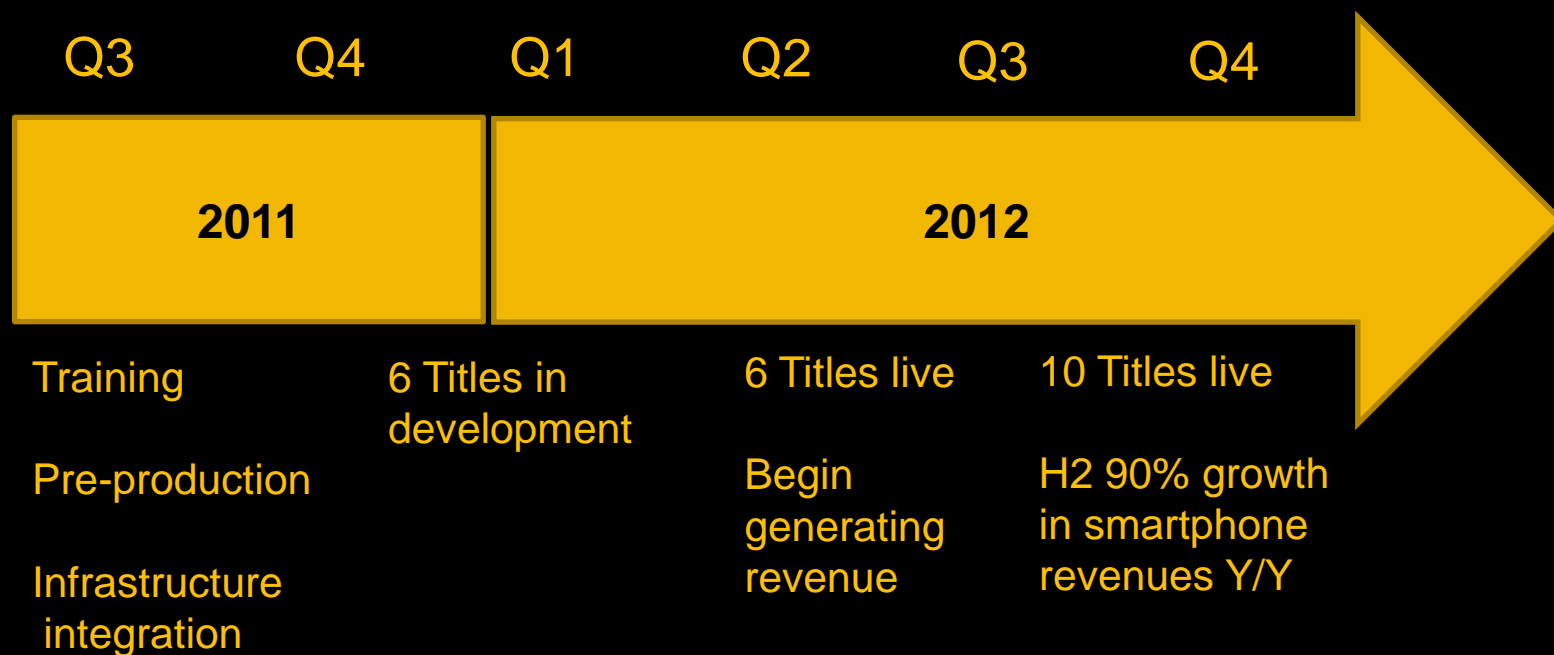
March 31 FYE	<u>Baseline</u> Revenue (\$m)	Shares (000's)	<u>Upside</u> Revenue (\$m)	Shares (000's)
2013	3.5	227	5.0	682
2014	5.5	417	10.0	833
2015	8.5	0	15.0	1,154



# Overview

- Handheld work for hire studio in Kirkland Washington – deep Seattle talent pool
- Acquired balance sheet supports repurposing to freemium/social
- Acquiring 11 teams with first freemium products expected to launch Q212
- Strong and stable mgmt team

# Grip Integration Plan



Blend of action adventure, resource mgmt, and casual titles



# Q311 Guidance and Long Term Model

# Glu + Griptonite + Blammo

Griptonite approximately doubles Glu's internal capacity

Blammo brings casual social gaming DNA

Glu + Grip + Blammo = expect at least 90% growth of smartphone revenues 2H11 to 2H12

# August 2, 2011: Q311 Guidance

	Earnings Call Guidance		
	Low	High	High % of total rev
Featurephone	6,000	6,500	41%
Smartphone	9,000	9,500	59%
Total non-GAAP Revenue	15,000	16,000	
Gross Margin %	80%	80%	
Opex	19,500	19,500	
Non-GAAP Op Margin	(7,500)	(6,700)	
Non-GAAP Op Margin %	-50%	-42%	
Non-GAAP Loss	(8,200)	(7,400)	
Basic Shares	60,200	60,200	
Diluted Shares	67,200	67,200	
Non-GAAP Loss EPS	\$ (0.14)	\$ (0.12)	

# Target Operating Model (Non-GAAP)

	2009	2010	Q211	Long Term Target
<b>Gross Margin</b>	<b>64%</b>	<b>73%</b>	<b>83%</b>	<b>88%</b>
<b>R&amp;D</b>	<b>32%</b>	<b>38%</b>	<b>46%</b>	<b>34-38%</b>
<b>Sales &amp; Marketing</b>	<b>16%</b>	<b>19%</b>	<b>18%</b>	<b>18-19%</b>
<b>G&amp;A</b>	<b>18%</b>	<b>19%</b>	<b>18%</b>	<b>10-11%</b>
<b>Operating Margin</b>	<b>(2)%</b>	<b>(3)%</b>	<b>0%</b>	<b>20-25%</b>
<b>EBITDA</b>	<b>1%</b>	<b>0%</b>	<b>2%</b>	<b>22-26%</b>

•Note: gross margin excludes amortization of intangible assets. R&D, S&M and G&A exclude stock based-compensation expense. Operating margin excludes amortization of intangible assets, restructuring and transitional expenses and stock-based compensation expense.