



# ICEB+eBRF 2006 Conference

## Venture-to-Capital Story: Case "Habbo"

*Tampere, November 30, 2006*

Dr. Juha Hynynen, COO & Executive Vice President

# Sulake Corporation



» *An interactive entertainment company focused on online communities and casual multiplayer games*

» Flagship product and brand:

## **Habbo online community and virtual world for teenagers**

- one of the largest and fastest growing teen communities in the world



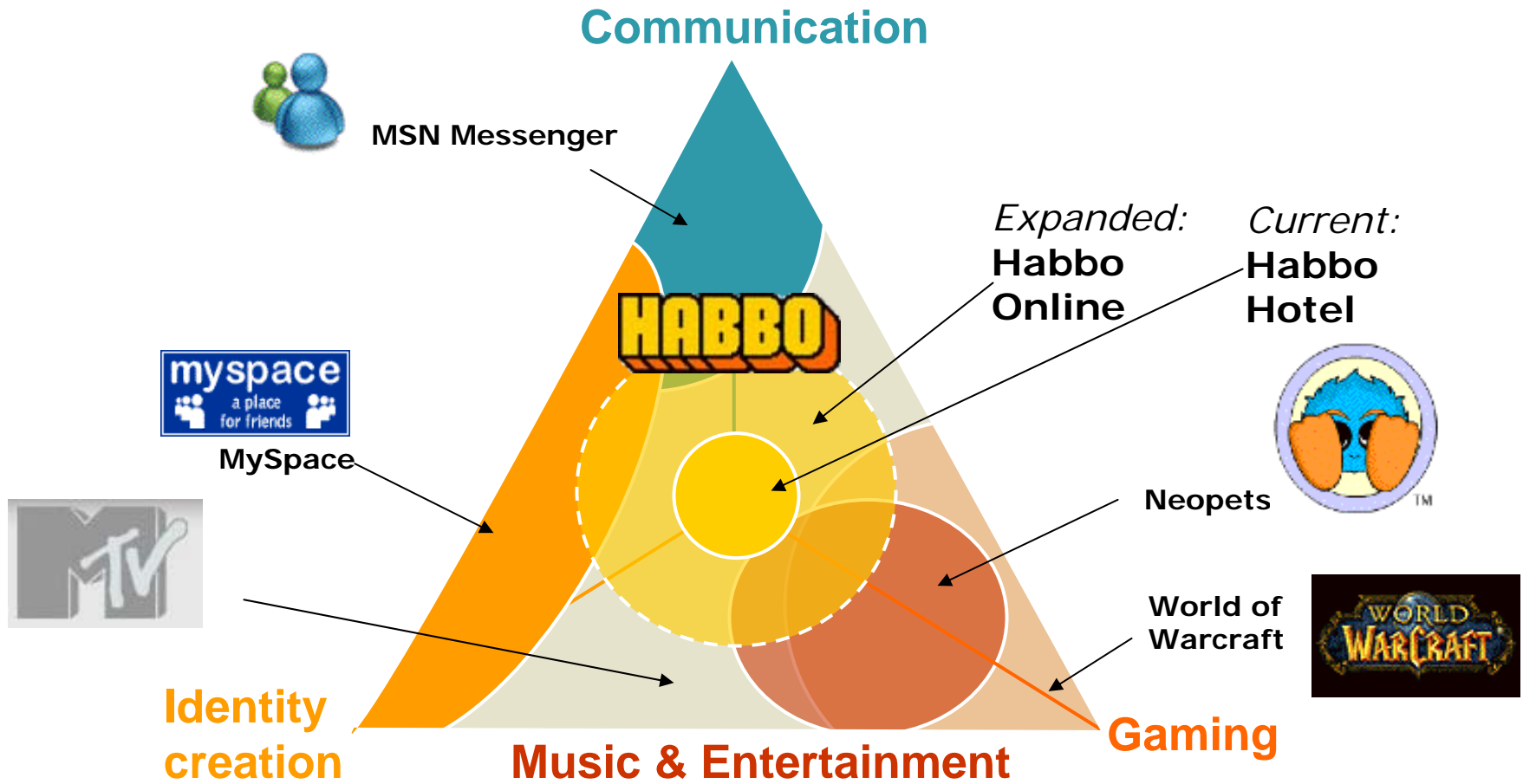
*Habbo mission: To build a **new type of international teen brand** which is **based on the largest teen community** in the world.*

» Long Term Objective:

Global interactive entertainment company with a portfolio of online properties for different target groups

- › **Brand extensions** of properties in key areas: *Animation/TV, Publications, Consumer Products*
- › Games and communities on **all mainstream platforms**: *online, mobile, handheld, consoles*
- › **Distributor and Publisher** of broad range of interactive entertainment content *via our international operational infrastructure and payment network*

# Habbo Online Positioning - Motives



# Habbo Hotel

The core of Habbo is **Habbo Hotel** – easy to use virtual world.

- » Habbo Hotel provides one of the most interactive browser-based social experiences in the world.
- » It's an environment for **rich real-time communication**, **multiplayer gaming** and **user creativity**.

## Typical activities

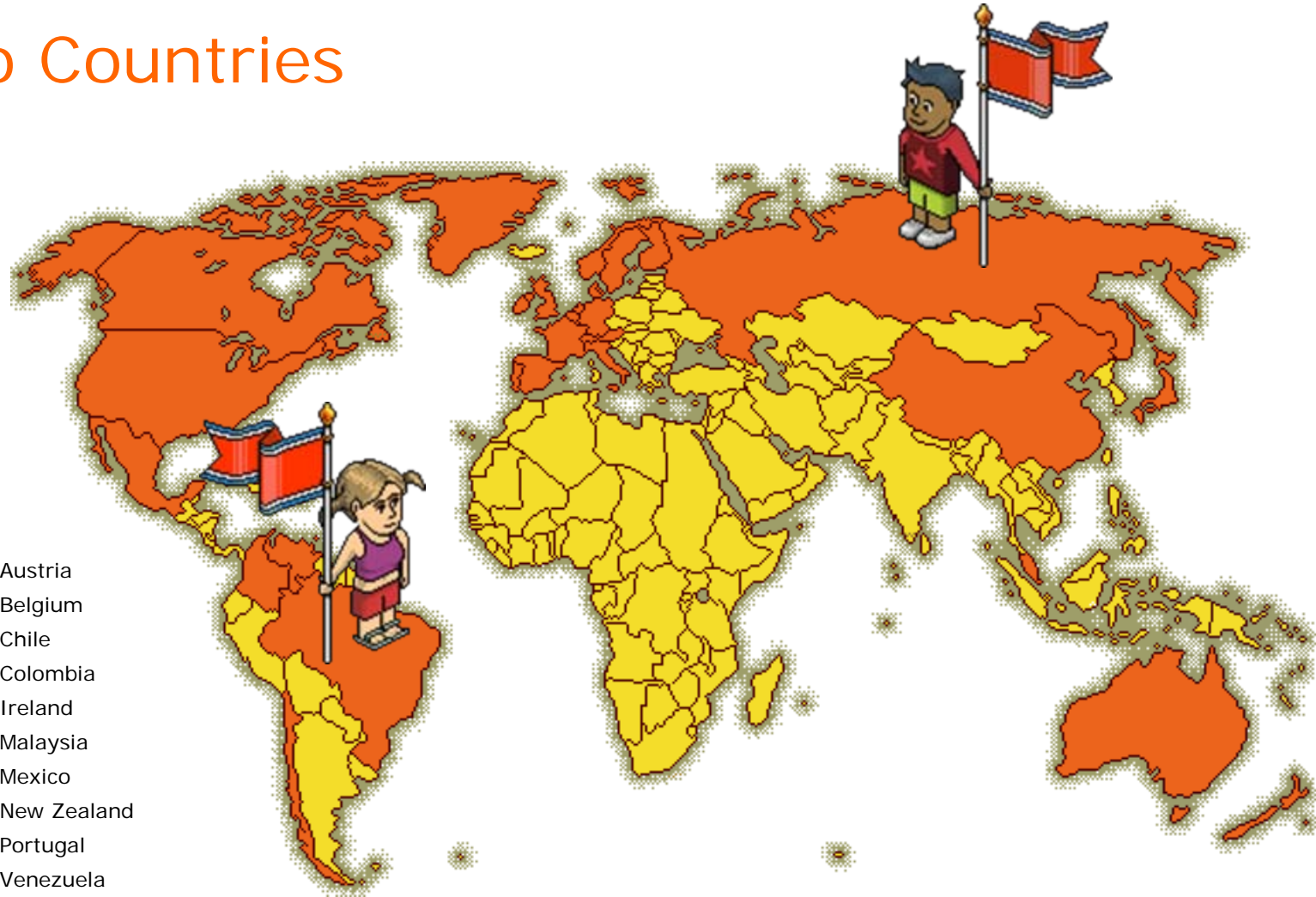
- » Create a personalized Habbo character
- » Visit different public rooms or other Habbos' guest rooms
- » Chat with other Habbos in rooms or use the Habbo Console for communicating with your friends
- » Create your own room and decorate it to your liking
- » Play games – created by Sulake, or by other users
- » Join events, parties and activities – or setup your own
- » Collect and trade items



The key to Habbo is social interactivity: **Meeting other Habbos and having fun together!**

# Habbo Countries

- Finland
- UK
- Switzerland
- Japan
- Spain
- Italy
- Sweden
- Netherlands
- Germany
- Canada
- Norway
- USA
- Australia
- France
- Singapore
- Denmark
- Brazil
- China
- Russia
- Austria
- Belgium
- Chile
- Colombia
- Ireland
- Malaysia
- Mexico
- New Zealand
- Portugal
- Venezuela



# Company Background



» Founded in May 2000

» Strong and Respected Ownership

- TAIVAS GROUP ([www.taivas.com](http://www.taivas.com))
  - > 3rd largest advertising group in Finland, part of WPP network
- ELISA OYJ ([www.elisa.com](http://www.elisa.com))
  - > 2nd largest operator in Finland
  - > Vodafone's local partner
- 3I GROUP PLC ([www.3i.com](http://www.3i.com))
  - > world leader in venture capital and private equity, listed on the London Stock Exchange
- BENCHMARK CAPITAL ([www.benchmark.com](http://www.benchmark.com))
  - > Leading venture capital firm focused in technology-driven companies that seek to create new markets and have significant growth potential.
- MOVIDA INVESTMENT
  - > SoftBank and Asian Groove controlled Japanese investment company focused on interactive entertainment and content
- MANAGEMENT AND PERSONNEL

TAIVAS



» Total equity investment: approx. \$37m  
in 4 investment rounds

» 270 full time employees in 18 countries  
( and 220+ moderators and community managers)



# Key Sources of Revenue

## 1. End user content revenues

- from purchases of virtual furniture, game enhancements, tickets, features etc via all relevant payment methods using transactional and subscription models

## 2. Advertising

- new type of immersive in-game/community advertising and consumer activities involving and activating users. Also traditional banner ads.

## 3. Mobile content and games

## 4. Merchandising & Brand Licensing Royalties

## 5. 3rd party development and operation fees



# New Approach to Advertising



*An iPod ad created by a Habbo*



*Nike Sponsored visit of an NBA star*

In Habbo Hotel you can feel and touch trends, hear the users concerns and get immediate feedback

Advertising in Habbo transforms traditional online marketing campaigns into live virtual event marketing experiences



*Co-branding with Sprite in Canada*

Fun and respectful advertising adds value to our users inside the game and community

# Growth Drivers for Sulake's Business

## Infrastructure Development

- Internet Penetration
- Mobile Penetration
- Electronic Commerce
- Micropayment Solutions

## Media transformation

- Interactive Media Development
- Shifts in Media Consumption
- Online Advertising Opportunities
- Online Games

## Business opportunities

- Increase content and user generated content sales
- In-game advertising
- User generated and community-based advertising
- Viral advertising

## Enabling Factors

## Market Development

## Opportunities

## Consumer behavior

- Consumer preferences influenced by internet services
- Easy information access
- Peer-to-peer recommendations
- Teenage Behavior Patterns (IM, Mobile, Multitasking, music)

## User Generated Content

- Group peer-to-peer activities
- Users create content, and also own the broadcasting channel (media), at virtually no cost
- Social Networking Sites
- Online Communities

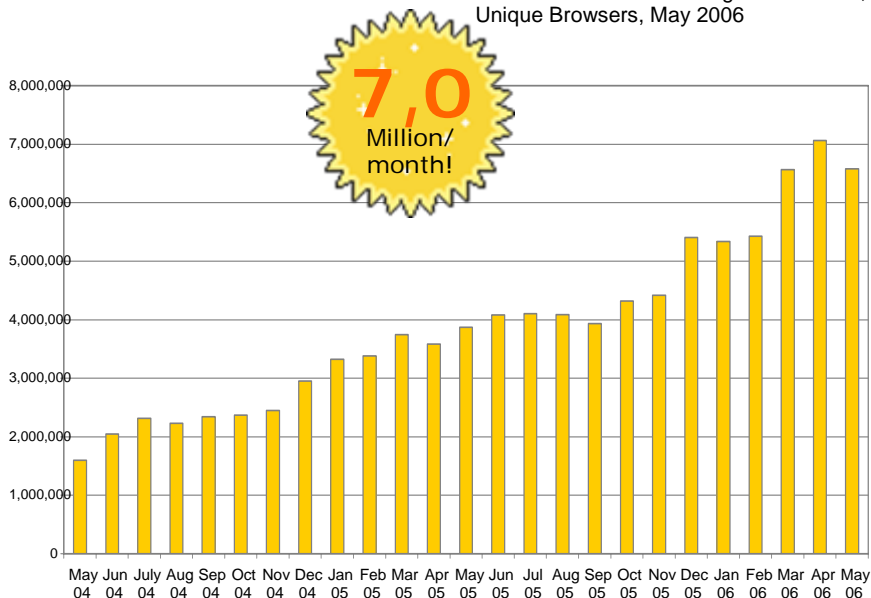
## Cutting Edge Opportunities

- Virtual Worlds
- 'User-programmed' personalized services
- User created content is cost efficient and reduces risk of 'guestimating' user needs in producer created content.

# Habbo Community Growth

» 7.0 million unique browsers per month!

Source: Nielsen//NetRatings SiteCensus, Unique Browsers, May 2006



### Annual Growth

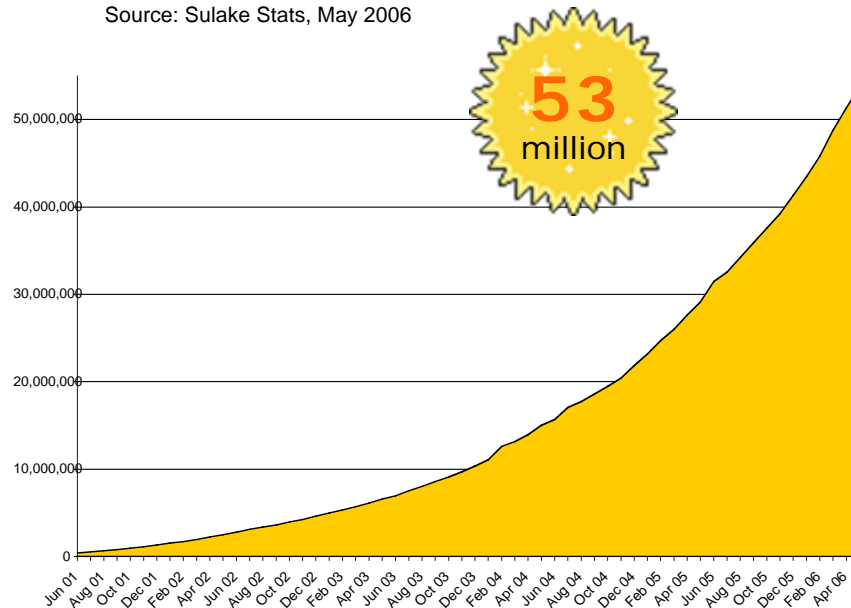
- 2004: **121%**
- 2005: **83%**

### Traffic split by sites:

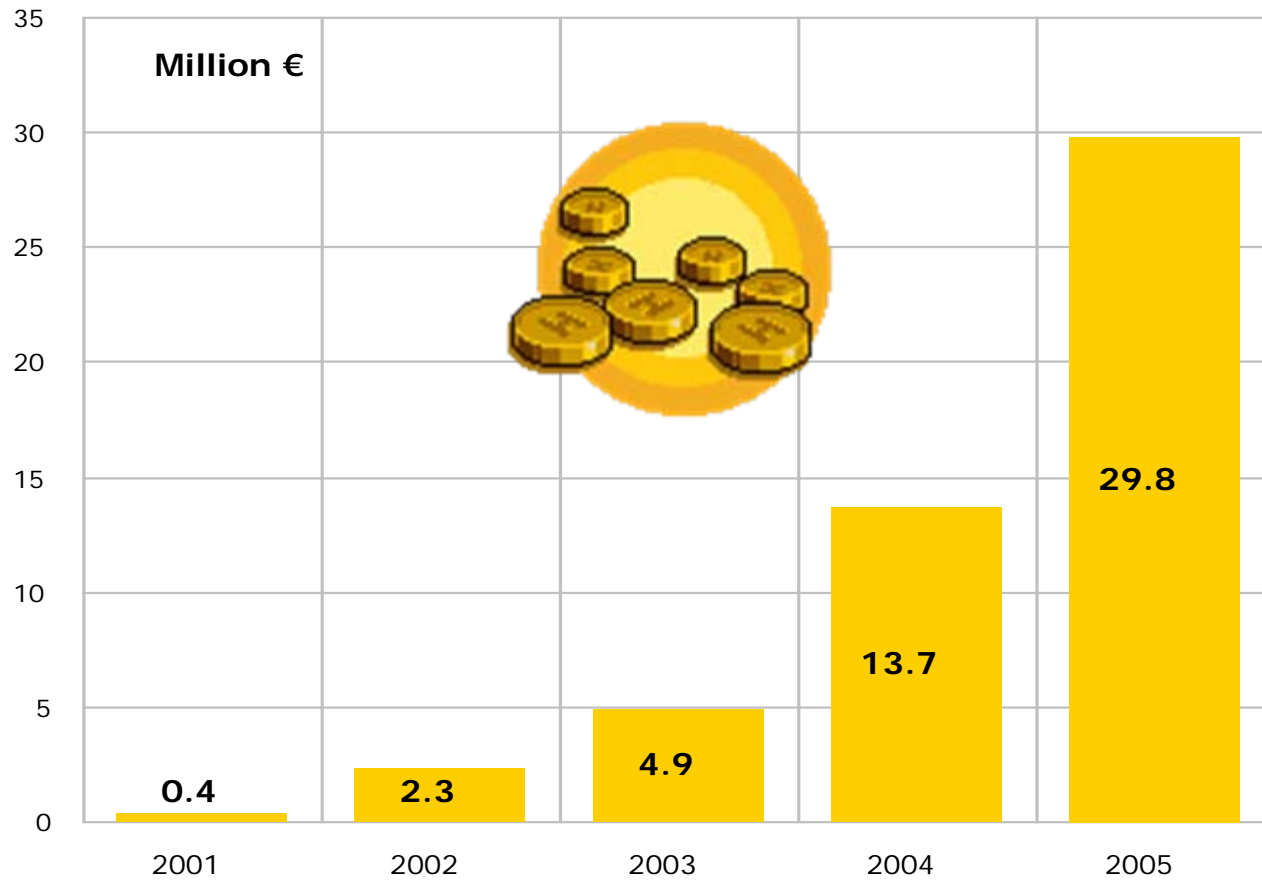
- > Americas 28%
- > Europe 66%
- > APAC 6%

» Over 53 million registered Habbo-characters!

Source: Sulake Stats, May 2006

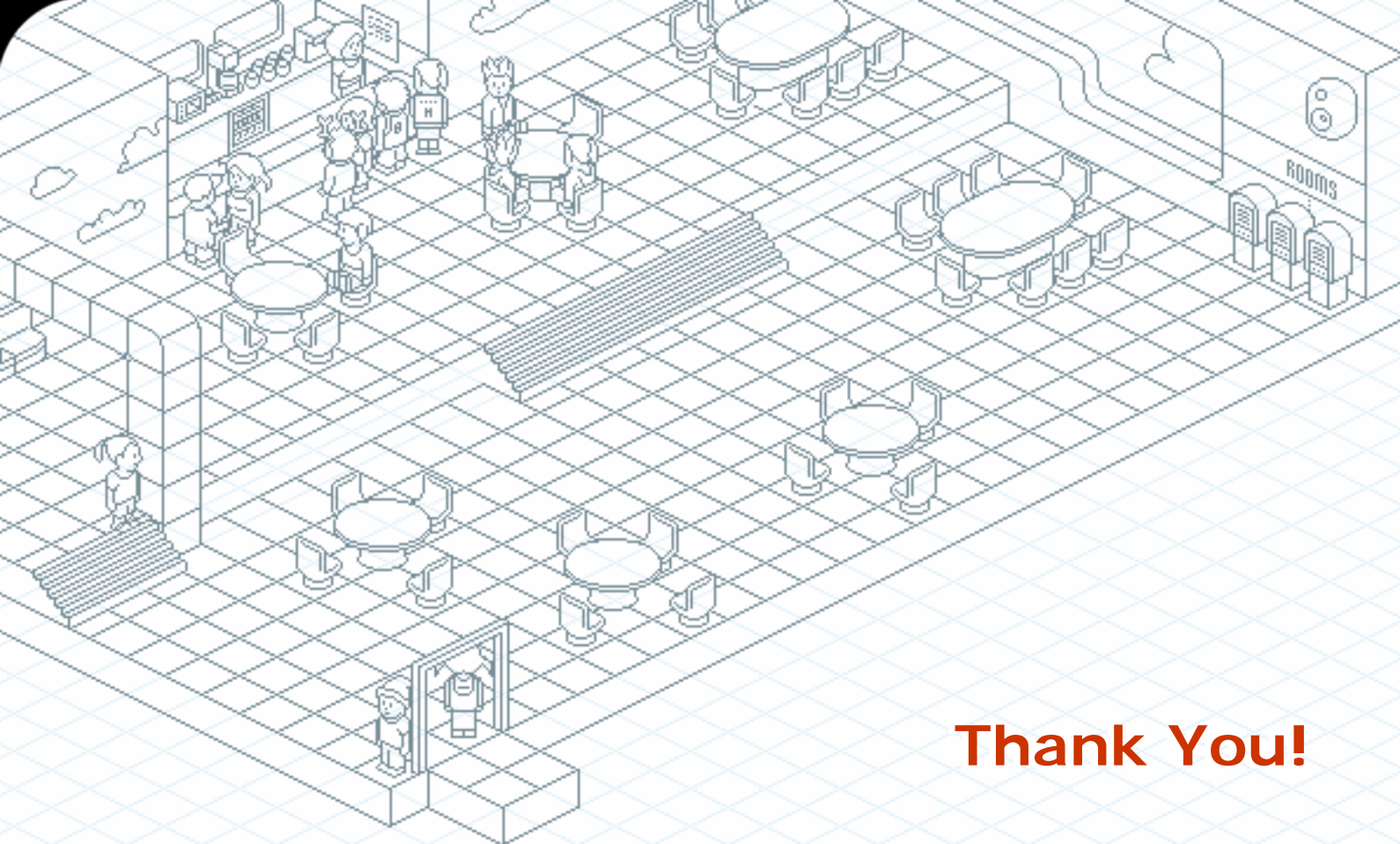


# Sulake's Revenue Growth



# Key challenges for global expansion

- » How to create an attractive product/service which can copied “easily” into multiple markets;
  - Localization and “nationalization”;
  - Fighting against temptation to copy local competition;
  - Internet as distribution vehicle.
- » How to create ways-of-working and processes which can be copied into multiple markets;
  - Recruiting and organization – centralization vs. decentralization;
  - Internal communication and knowledge management;
  - Partner management and business logic.
- » How to find geographic sweet spots in terms of market potential;
  - Understanding the customers’ thinking;
  - Competitive landscape;
  - Optimal mix of the underlying key performance factors and enablers.
- » How to cope with the multiple time zones and physical distances;
- » How to establish efficient information gathering, reporting and analysis tools to understand core business metrics and their implications.



**Thank You!**

Dr. Juha Hynynen, COO

Mobile +358 50 3889485

Juha.hynynen@sulake.com

