

By Adding Mobile Gaming and Social Gaming, Glu Mobile Inc. is Allowing Consumers to Take Their iPhone and Android Experience To Another Level



**Gaming, Mobile, Social Gaming
(GLUU-NASDAQ)**



Niccolo M. de Masi
President and CEO

BIO:
Niccolo de Masi President and CEO

Niccolo de Masi joined Glu as its President and Chief Executive Officer in January 2010 and brings to Glu a strong background of senior management and executive experience in the mobile gaming and content sectors. Prior to joining Glu, Niccolo was the Chief Executive Officer and President of Hands-On Mobile, a mobile technology company and developer and publisher of mobile entertainment, since October 2009, and previ-

ously served as the President of Hands-On Mobile from March 2008 to October 2009. Niccolo was previously the Chief Executive Officer of the London-listed mobile entertainment company Monsternob Group PLC from June 2006 to February 2007. Mr. de Masi joined Monsternob in 2004 and, prior to becoming its Chief Executive Officer, held positions as its Managing Director and as its Chief Operating Officer where he was responsible for formulating and implementing Monsternob's growth and product strategy. Prior to joining Monsternob, Mr. de Masi worked in a variety of corporate finance and operational roles within the technology, media and telecommunications (TMT) sector, beginning his career with JP Morgan on both the TMT debt capital markets and mergers and acquisitions teams in London. He has also worked as a physicist with Siemens Solar and within the Strategic Planning and Development divisions of Technicolor. Mr. de Masi holds an M.A. degree in Physics and an MSci. degree in Electronic Engineering—all from Cambridge University.

Company Profile:

Glu Mobile Inc. is a leading global publisher of mobile games for feature phones and smartphones. Its portfolio of top-rated games includes original titles Beat It!, Bonsai Blast, Brain Genius, Glyder, Jump O'Clock, Stranded, Super K.O. Boxing! and titles based on major brands from partners including Activision, Atari, Fox Mobile Entertainment, Harrah's, Hasbro, Konami, Microsoft, PlayFirst, PopCap Games, SEGA, Sony and Warner Bros. Founded in 2001, Glu is based in San Mateo, Calif. and has offices in Brazil, Canada, China, England, France, Germany, Italy, Russia

and Spain. Consumers can find high-quality, fresh entertainment created exclusively for their mobile phones wherever they see the 'g' character logo or at www.glu.com.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. de Masi, you have been CEO for over a year now; what attracted you to Glu Mobile?

Mr. de Masi: I have spent almost my entire career in the mobile entertainment industry. Before Glu I ran a private mobile games company, before that I ran a public company listed in London doing mobile music. There was certainly an attraction to be able to bring many of my learnings, experiences, skill sets, and relationships around the world to bear. The most important component of my decision-making was the great assets that Glu has and indeed had at the time even if they weren't all fully firing on all cylinders or being maximized.

CEOCFO: How has Glu Mobile changed under your leadership?

Mr. de Masi: I arrived with many operational, financial, and strategic questions hanging over the company. I arrived with a legacy feature-phone business that was declining, so there was a need for a new strategy focused on social gaming and mobile gaming. One of our largest challenges was quite a large organization around the world, twenty-five countries, six hundred people, focusing on a business that could no longer grow and at the same time having larger liabilities to acquisitions that were made than we had cash in the bank.

What we did in the past twelve

months is pick a strategy first and foremost which is to become the pre-eminent social mobile gaming player, focused on smartphones and games as a live service. Secondly, we tightened up operations. This involved not only a repurposing staff, but also closing some offices around the world. We did an equity raise in the second quarter of this year, which closed in the third quarter, raising \$13.5 million of new money to give the company a healthy balance sheet.

Part of the operational restructuring has been a new leadership team. Every executive in the company is new other than our CFO, Eric Ludwig, who has been a great partner of mine through thick and thin over the past twelve months. We have a new chief creative officer, a new SVP of R&D, and a new V.P. of Productions. We also have new general managers of North America, Europe, and China. I really feel we have built a new culture with the right skill sets that we need to capitalize on what consumers are doing, which is gravitating towards the iPhones, Android devices. They are very much engaging at a far likely deeper level than they ever have done with feature phones and older handsets, but at the same time consumers expect more in return. We have also been fundamentally investing aggressively in the production values and the qualities of the games we bring to market as well.

CEOCFO: What is Glu providing today and how does it compare to what else is available?

Mr. de Masi: We are very proud of the fact that one of the top grossing games in the iPhone store is a title we brought out in late October called Gun Bros. What is exciting about this title is that it fundamentally has shown that social gaming doesn't have to be about relatively simplistic graphics and farming or resource management games. Gun Bros is actually a top-down shooter, so it is an action packed game that has done very well with audiences across the demographics, but it has all the social elements of a social game. You are playing with your friends, or you are play-

ing with or against your friends. It is monetizing very well, and it is retaining very well. One of the achievements I didn't reference in the last question was really that we have demonstrated and redefined social gaming to be much broader than only some of the simpler games that have been on Facebook over the past year or two. We followed that up actually before Christmas with games such as Deer Hunter Challenge, which is a global hunting competition and also another title called Hero Project, which is a super heroes quest based game very much like Mafia Wars on Facebook. However, we have added an action component to it, so there are combats between a hero that you create and the villains that you are actually competing with to level up and raise your powers. You very much will see more of this train of thinking in 2011.

CEOCFO: How are you able to have more layered games or more exciting

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- Niccolo M. de Masi

games? Is it technology, creativity or market awareness?

Mr. de Masi: We have tried very hard since I arrived at Glu to look at what the evolution of the industry will be in 2011, 2012 and beyond. We have a highly experienced staff who have been in the games industry at large for a decade or more. What we have done is a really good job of is marrying mobile expertise to gaming expertise. I am looking very much at where the hockey puck is going as opposed to where it is. Where it is going is towards higher production values, and social elements becoming critical in all games. The third thing that we are bringing to bear, which is relatively unique in our view, is the ability for consumers to enjoy our games regardless of which handset, carrier, operating system or country you are in. One of Glu's historic strengths has been in bringing games to all consumers around the world. We have local sales teams everywhere from China to Europe, the U.S. and also

Asian Pacific, and Latin America. We are able to make sure that more consumers can access our content through more distribution channels than probably most every competitor in the mobile gaming space with the exception of EA and Gameloft. We have married strengths of old at Glu, which are really around global distribution and cross platform reach, to very much what we think the opportunity is going forward - social gaming with higher production values.

CEOCFO: Does it matter to people if it is a Glu Mobile game?

Mr. de Masi: That is a great question. I would say that historically consumers like in the film industry don't care too much what the studio is. In the game business I think consumers are equally less concerned about whether it is an Activision game, or an EA game or a Ubisoft game. They fundamentally buy franchises. The content matters the most, but what Glu is doing and will be doing very much

more going forward is building a community around our games. For example connecting the community on Gun Bros to the community on Deer Hunter. Over time, there will be much more of a realization of what the Glu community and hence the Glu brand is doing, which is making our games and your experience more social, acceptable, and frankly more fun.

CEOCFO: I see that you expect to release five or six new titles every quarter; it sounds a little ambitious!

Mr. de Masi: Part of the advantage for Glu is our scale. We have about four hundred people at the moment, they are in a number of studios around the world as well as of course global sales and marketing, finance. In the past three to five years we have typically put out 25 to 35 titles a year. Now we are of course focusing on driving up the quality of our games, so 25 as opposed to 35 in what we think will be delivering next year. We very much believe that one of our great assets of old that was carried to the future is that we do have mature studios and have been building mobile games for half a decade. This is something which most of

our competitors don't have. So far in Q-4 we launched five titles, and we will be keeping up the four or five titles for 2011. Beyond that of course we will invest aggressively in success and we will reduce or eliminate investments and franchises that aren't working. What you will see over time is pretty much the same trend that you will see in the gaming business in the past decade or two, which is when you find a winner of course invest in that and make it an even bigger winner. When you launch titles that are not showing the same level of consumer traction, you cut bait quickly and that is particular true now that we are launching games as service. In the past Glu, as with all gaming companies, launched games once very much akin to a retail launch, where you are shipping the digital equivalent of a box around the world. In this case, a piece of code around the world to all these stores, the consumer finds them Monday, they buy them for a month or two or three, and then you put a sequel out next year. What we have moved in our business model are two important changes, the first is to the so-called premium business model. Our games are all free to download, anyone can play them, and we monetize over time through advertising and through microtransactions. We moved the business model to be about big audiences, free-to-download titles, retaining the audience and the monetizing over time. We have also moved the way that we philosophically approach the launch process, which is that we are launching games sooner, are experimenting a little bit more early on because we support our games as a live service as opposed to a one-off launch. In addition, games are constantly being worked on once they are live. We have the full team on Deer Hunter, Gun Brothers, Hero Projects, as if they were never launched. The games have been out there for the past month or two or three, but we are continuing to improve them with additional updates. That is keeping our audience very much engaged with the product and we are able to build a longer-term relationship with consumers which stick.

CEOCFO: What challenges do you see as you move forward?

Mr. de Masi: The mobile gaming business is heating up. Larger competitors from convergent sectors are very much recognizing that mobile platforms are the gaming devices where eyeballs are gravitating. If you looked at the gaming industry over all to see which platforms are growing the fastest, your conclusion over the next five or ten years would certainly be mobile devices. Mobile devices we define as tablet-size devices on down; tablets, smart phones, midrange devices. Someday, we might define mobile devices to also be small notebooks. That segment of the market is taking consumer eyeballs and time everyday away from the living room, the P.C., and non-mobile engagements. What that is doing is you have seen players like Apple and Google, and Microsoft very much focused on mobile and getting traction in the case of Apple and Google. Of course, what that leads other entertainment competitors to do is to look at mobile gaming and say, "Well I need to be playing in this space, but do I do it organically or inorganically". Glu has a fully funded business plan, and we have of course even more ambitious dreams. We draw a lot of inspiration from companies like Activision. Two decades ago they were like what Glu is today and they have gone on to be a multibillion dollar revenue business. We very much think that Glu has a very bright future. It is on the right platform, it is on the right business model, which is freemium, it is on games as a service and we are very much investing in where we think the market is going, which is freemium mobile gaming with higher production values. In summary, the largest challenges we see are of course just raw competitive pressure. We will constantly up production values the same way the game business has for the past two decades on all platforms, and the same way you have seen in the film business. Hits become bigger, but your investments are also going to increase over time in synch with that.

CEOCFO: Do you do much investor outreach?

Mr. de Masi: We have been more or less heads down in the past year on

reshaping the strategy, raising capital, strengthening the balance sheet, getting the strategy right, tightening up operations. We are beginning to do a little more now. We have seen obviously that perception is changing very positively around Glu. Our stock price is about twice what it was when I began, and we will be working harder in 2011 to communicate our progress, our plans and the status of the transition that I think many commentators thought would be a bridge too far to surmount. We are pleased to be proving the doubters wrong.

CEOCFO: Why should investors pay attention to Glu Mobile now, and what might people miss that they should understand when they are evaluating the company?

Mr. de Masi: Let's start with the macro. It is unequivocally true and recognized that mobile devices are capturing everyone's entertainment time, whether it is Tablet, Android, or iPhone device, people are using these in lieu of their P.C.s, their TVs, and their cinema time for that matter, as well as their console device. So Glu is positioned on the right platform, the ones that are absolutely growing over the coming decade. Secondly, we are positioned with the right business model which is freemium gaming, social gaining, social mechanics, the mechanics that built companies like Zynga and in a lot of ways built companies like Facebook, which one can think of as almost the world's most successful social game. It is the social interaction that is consuming a lot of people's time around the world. The phenomenon of social games is well recognized along with the phenomenon of global device penetration and smartphone penetration for consumers as they look at how they use entertainment devices throughout the day. With regard to the micro, Glu specifically has had a number of well established advantages in the past. We are a global business and we have been a global business since our IPO. We have a sales force around the globe, we have particular strengths in the U.S. and China, and I think the U.S. and China has shown consumers appetite for digital media, social media and mobile media, which can lead to very big businesses very

quickly. We have also had as a strength cross-platform reach, making our games available for you regardless of device. Finally, Glu has a new management team that is proving to be a successful management team and we have a strengthened balance sheet. Going from the macro we are on the right trends, the micro business is healthy and you are going to see us go from strength to strength as we start to build momentum on these underlying trends.

CEOCFO: Final thoughts, what should people remember most about Glu Mobile?

Mr. de Masi: I would encourage investors to keep pace with our releases, and do not hesitate to ever contact either myself or the IR team. We very much view this business and this turnaround as a partnership. Our existing investors have been very supportive, not only with my recruitment and the management team, but also putting their money where their mouth is. We are also constantly

looking to improve execution, our ability to address opportunities and a lot of our shareholders and stakeholders have been very beneficial for us in this process. I would encourage that interaction and more of it. Finally, people will see more of us out there on the conference circuit and out there on the investor conference circuit, certainly. We look forward to meeting more existing and future shareholders.



Glu Mobile Inc.
45 Fremont Street, Suite 2800,
San Francisco, CA 94105-2209
Phone: 415 800 6000