

Interim report July-September 2019

STILLFRONT
GROUP

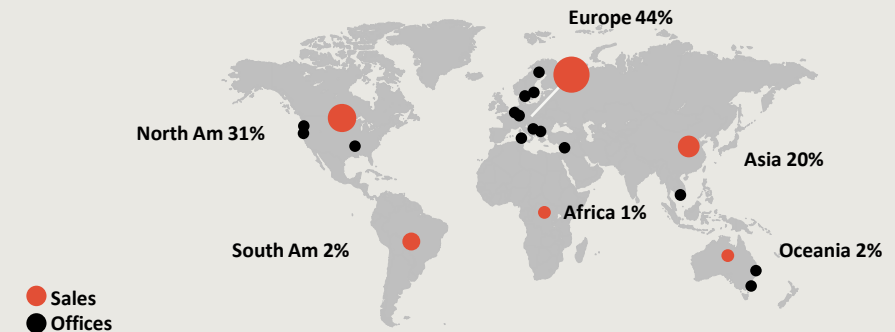


Stillfront – a market leader in online strategy games

STILLFRONT AT A GLANCE

- A global group of gaming studios in the free-to-play online strategy games genre
- A diverse and evolving game portfolio with two common themes; loyal users and long lifecycle games
- 5.3 million monthly active users, MAUs, and 1.3 million daily active users, DAUs
- Main markets by revenue are US, Germany, MENA, France and UK
- Headquartered in Stockholm with a group of twelve studios operating in Australia, Bulgaria, Canada, Germany, Jordan, Malta, Romania, Sweden, United States and Vietnam with a total of +650 professionals

GLOBAL PRESENCE



GAME STUDIOS



MASSIVE TRACK RECORD

Marketing spend
€250m
with high ROI*



All time
600m
users to date

€ ~2bn
in lifetime deposits

5.3m MAU
avg. # of MAUs

Empire
is one of the biggest
strategy games of all time



FINANCIAL HIGHLIGHTS Q3

- Net revenue growth of 64% YoY
- Strong organic growth
- Adj. EBIT* margin of 34% as a result of strong monetization and efficient UA
- UAC amounted to 83 MSEK or 16% in relation to net revenue

OPERATIONAL HIGHLIGHTS Q3

- Kixeye part of the Group
- Lower pace of live ops and marketing spend due to seasonality, very low UAC in Kixeye
- Big Farm: Mobile Harvest continue to grow, +45% YoY
- No new titles released in the quarter, after the reporting period
EMPIRE: Age of Knights was launched globally

*New definition of Adj. EBIT – excluding items affecting comparability and amortization of PPA-items

Portfolio update Q3

Diversified portfolio: largest game represents less than 15 percent of revenue

26%

EMPIRE BRAND



- Four products: Empire, Four Kingdoms, Millennium, World War 3

Q3

- Deposits*: 135 MSEK (-2% YoY)
- UAC: 14 MSEK (-2% YoY)
- Very strong EBIT contribution
- New mobile title Empire: Age of Knights launched after period

17%

BIG BRAND



- Three products: Big Farm, Mobile Harvest and Skytopia

Q3

- Deposits*: 85 MSEK (+26% YoY)
- UAC: 28 MSEK (-9% YoY)
- Sequential growth; 6%
- Big Farm: Mobile Harvest top 3 products driving organic YoY growth, +45%

57%

CORE PRODUCTS



- In total 29 products

Q3

- Deposits*: 289 MSEK (+193% YoY)
- UAC: 41 MSEK (+120% YoY)
- Largest products: Nida Harb 3 (72 MSEK), Battle Pirates (35 MSEK), War Commander: Rogue Assault (35 MSEK)
- Strike of Nations, top 3 products driving organic YoY growth

<1%

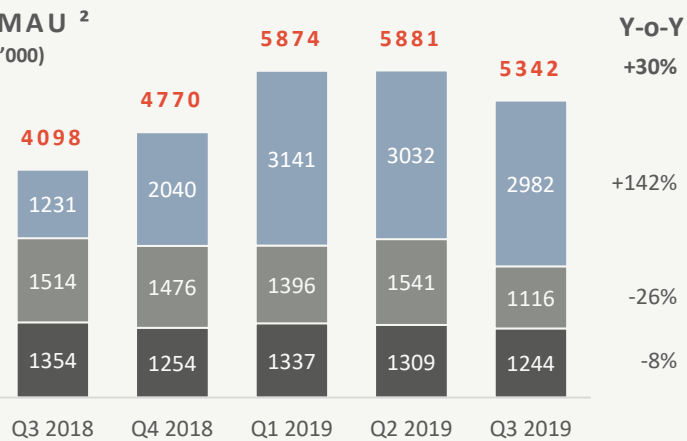
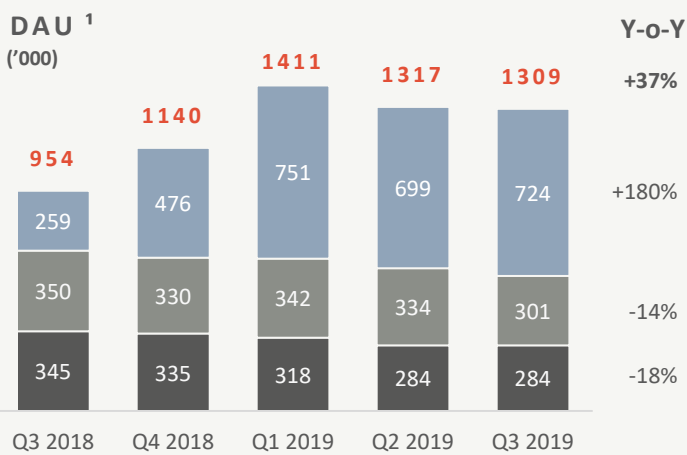
OTHER



- Long tail products
- In total more than 10 products
- Low potential but still contributing
- No investments or live ops
- Assets can be reused

*Deposits are unadjusted revenues from paying users

Active User Base

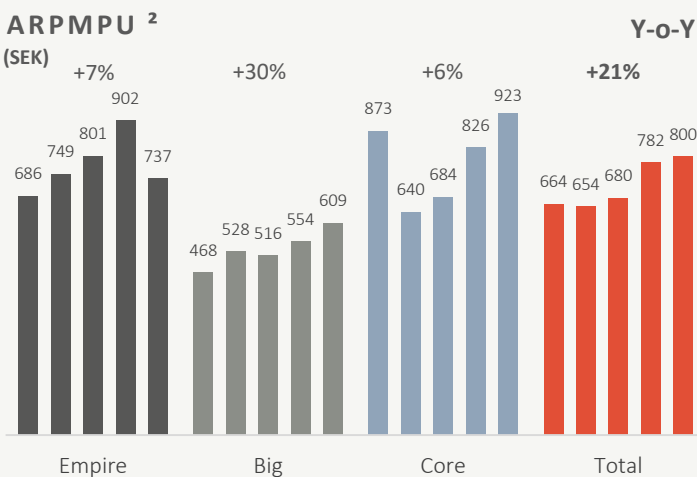
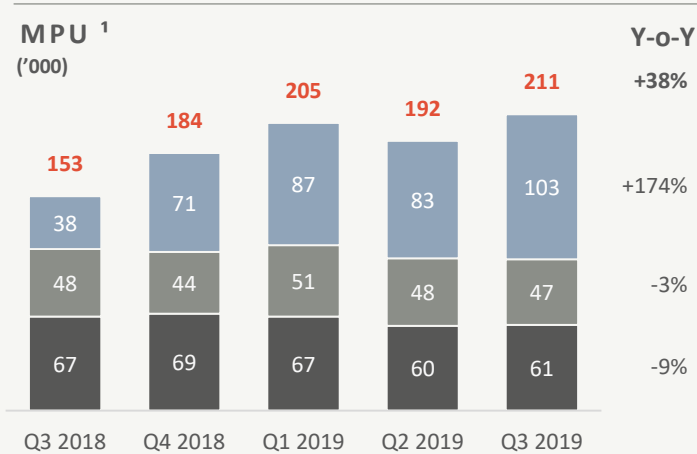


COMMENTS Q3 2019

- Sequential seasonality and efficient UA
- MAU decreased 9% QoQ and DAU decreased 1% QoQ resulting in higher stickiness
- Higher natural fluctuation pattern in MAU
- No new games released in the quarter

1: Average unique Daily active users over the quarter – pertains to online games only
2: Average unique Monthly active users over the quarter – pertains to online games only

Paying User Base



COMMENTS Q3 2019

- Loyal paying user base, excluding acquired studios, remain stable YoY
- Group's All time high in MPU and ARPMU – Kixeye higher than average ARPMU
- Lower Live op's activity in Empire from record levels in Q2
- Big and Core products: All time high in monetization

1: Average unique monthly paying users over the quarter – pertains to online games only
2: Average deposits per monthly paying user over the quarter – pertains to online games only

Kixeye part of the Group

Building for future growth

FIRST QUARTER IN THE GROUP

- Sequential seasonality impact
- Very low marketing spend – mainly due to operational development preparing for scaling up
- Kixeye organisation ready for future growth
- Very loyal and condensed user base
- Higher ARPMPU compared to average Core products

SYNERGIES STARTING TO MATERIALISE

- Distribution opportunities in place: Imperia Online part of kixeye.com
- Goodgame Studios responsible for performance marketing of War Commander Rogue Assault
 - Test campaigns are running
- Babil Games and Kixeye are developing War Commander Rogue Assault for the MENA region

KIXEYE BLOCKBUSTER IPs



#1 grossing game
per user on
Facebook



Cross platform
title – KIXEYE
formula works on
mobile



#3 grossing game
per user on
Facebook

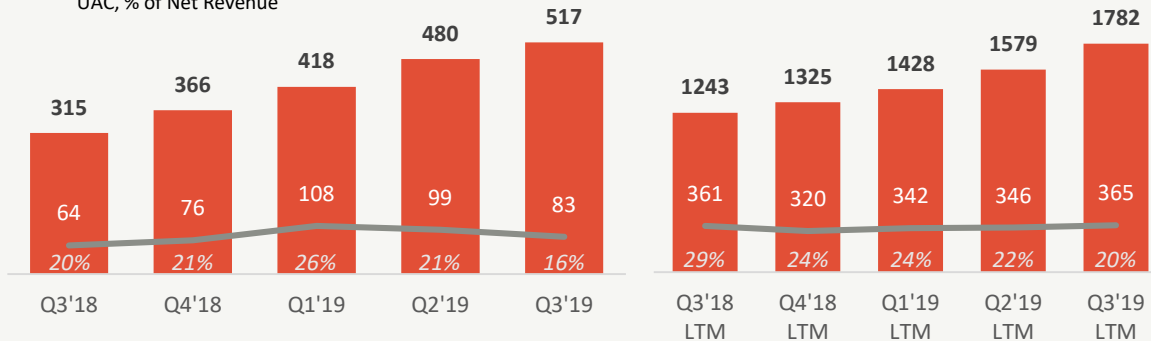


First pure mobile
title with strong growth
potential

Strong revenue growth and solid profitability

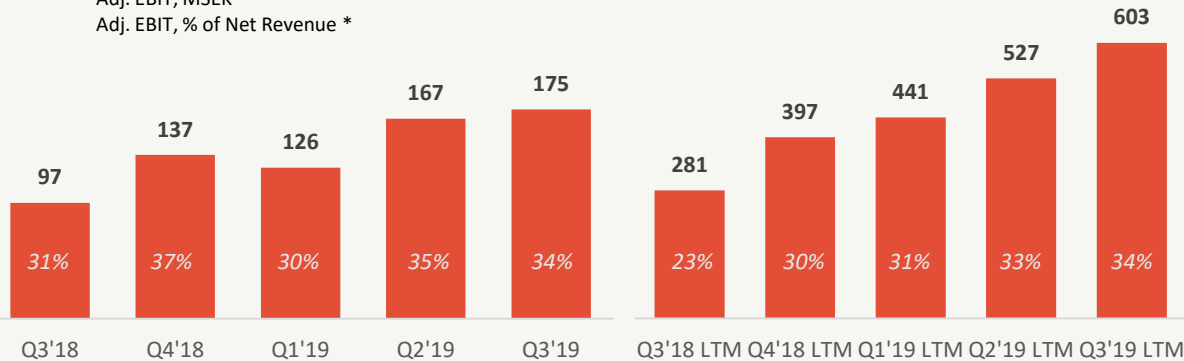
NET REVENUE, UAC DEVELOPMENT

Net Revenue, MSEK
UAC, MSEK
UAC, % of Net Revenue



ADJ. EBIT DEVELOPMENT

Adj. EBIT, MSEK
Adj. EBIT, % of Net Revenue *



COMMENTS

Net revenue growth of 64% YoY

- Strong organic growth in Nida Harb 3 and Big Farm: Mobile Harvest
- Medium sized products combined contribute significantly to growth
- Imperia Online, Playa and Kixeye driving acquisitive growth

Good profitability development: Adj. EBIT margin 34%

- Excluding IAC and amortization of PPA-items
- UAC of 83 MSEK or 16% in relation to net revenue
- Somewhat lower share of mobile revenues 56% (59% in Q2)
- Sequential margin development lowers naturally with seasonality

Very strong LTM development YoY

- 43% revenue growth
- Efficient and disciplined UA spend drives a 9 percentage points reduction in UAC share of revenue
- EBIT margin improvement of 11 percentage points
- 115% EBIT growth

*New definition of Adj. EBIT – excluding items affecting comparability and amortization of PPA-items

Income statement Q3 2019

MSEK	2019 Jul-Sep	2018 Jul-Sep
Net revenue	517	315
OWC	59	31
Other revenue	1	4
Total	577	350
Other operating expenses	-272	-172
Personnel expenses	-100	-58
EBITDA	205	94
Depreciation, amortization and write-downs	-69	-31
EBIT	136	89
Financial items	-3	-16
EBT	133	72
Taxes for the period	-22	-18
Net result for the period	111	54

COMMENTS

Deposits	509 MSEK
IFRS effect	-1 MSEK
Other game related revenues	9 MSEK

Gross Margin **74%**

Other operating expenses:	272 MSEK
• Payment providers, platform fees, royalties	137 MSEK
• UAC	83 MSEK
• Items affecting comparability	3 MSEK
• Other operating costs	49MSEK

Depreciation and Amortization	-69 MSEK
• PPA items	-36 MSEK
• Capitalized development expenses	-23 MSEK
• IFRS 16 Leases and fixed assets	-10 MSEK

Net financial items:	-3 MSEK
• Interest net	-17 MSEK
• FX impact and non-cash interest charge on earnouts	-2 MSEK
• Revaluation of provision for earnouts	16 MSEK

Taxes for the period	-22 MSEK
• 16% for the period and 25% YTD	
• The effective tax rate was evaluated in Q3 as part of the ongoing assessment	

Balance sheet 2019-09-30

MSEK	2019-09-30	2018-09-30
Intangible non-current assets	3,428	1,546
Tangible non-current assets	61	8
Deferred tax assets	33	14
Current receivables	271	143
Cash and cash equivalents	385	152
Total assets	4,178	1,864
Shareholders' equity		
Shareholders' equity attributable to parent company's shareholders	1,963	961
Non-Controlling interest	18	13
Total Shareholders' equity	1,980	974
Deferred tax liabilities	273	80
Bond	1,084	491
Non-current liabilities	307	136
Current liabilities	534	183
Total Liabilities and Shareholders' equity	4,178	1,864

COMMENTS

Intangible assets mainly consist of:

Capitalized product development and acquired products	1,135 MSEK
Goodwill	2,293 MSEK

Cash balance 385MSEK

Non-current liabilities: 307 MSEK
Mainly attributable to provisions for earnouts and utilised RCF

Current liabilities 534 MSEK
Mainly attributed to provision for earnouts, WCF and payables

Net debt 851 MSEK

Adj. Leverage ratio, pro forma 0.9x

Adj. Interest coverage ratio pro forma 6.8x

Cash flow statement Q3 2019

CASH FLOW FROM OPERATIONS

	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 Months	2018 Jan-Dec
MSEK						
Cash flow from operations	108	121	336	160	386	210
Cash flow from investment activities	-63	-48	-1,165	-52	-1,401	-288
Cash flow from financing activities	6	-3	954	-141	1,236	140
Cash flow for the period	51	70	126	-33	221	62
Cash and cash equivalents at the end of the period	385	152	385	152	385	246

COMMENTS

Cash flow from operations for Q3 2019 amounted to 108 MSEK (121)

- Stable cash flow, however negative working capital movements and larger tax payments in the quarter has a seasonal impact on cash flow

Cash flow from investment activities amounted to -63 MSEK (-48)

- Primarily driven by investments in product development

Cash flow from financing activities 6 MSEK (-3)

Capital Markets Day 27 November 2019

Session 1

- 13.30-14.00** **Group Strategy**
Jörgen Larsson, Founder & CEO
- 14.00-14.30** **Entrepreneurship, Scale and Structure**
Alexis Bonte, COO
- 14.00-14.30** **Opportunities in the gaming sector**
Fireside chat: Alexis Bonte, COO & Marina Andersson, Head of M&A

Session 2

- 15.00-15.30** **Dynamics of an evergreen game**
Philip Knust, CPO
- 15.30** **Kixeye – Pioneers of the free-to-play industry**
Clayton Stark, CEO Kixeye
- 16.00** **Accelerating synergies – the success story of Nida Harb 3**
Fireside chat: AJ Fahmi, Babil Games & Jörgen Larsson, CEO
- 16.15** **Financial Overview**
Andreas Uddman, CFO
- 16.30** **Q&A – Panel discussion**
All

For more information, please visit: cmd/stillfront.com

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Appendix

Reclassification and new definition

		2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
	From old to new EBIT						
Old	EBIT	152	89	393	225	516	348
	Revaluation of provisions for earnouts	-16	0	-11	5	-11	5
New	EBIT	136	89	382	230	505	353
	Items affecting comparability	3	0	23	6	28	11
	Amortization of PPA items	36	8	63	25	70	32
New	Adjusted EBIT	175	97	468	261	603	397
Old	Financial net	-19	-16	-55	-33	-106	-83
	Revaluation of provisions for earnouts	16	0	11	-5	11	-5
New	Financial net	-3	-16	-44	-38	-95	-89

COMMENTS

Reclassification of revaluation of provision for Earnouts

- Reclassification of revaluation for earnouts from Other Revenue and Other costs i.e. affecting EBIT to be classified under Financial net
- Revaluation of provision for earnout continues **not** to impact adjusted EBIT
- Prior periods have been restated

New definition of Adj. EBIT

- Adj. EBIT is defined as EBIT excluding items affecting comparability and amortization of PPA-items
- Prior periods in the report have been adjusted according to new definition.

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