



Presentation Q3 Report  
November 14, 2017

# Stillfront Group in brief

A developer and publisher of games, with the aim of becoming the leading group of independent studio

## Growing global base of loyal consumers

- Approximately 1 159k monthly active users (“MAUs”) and 235k daily active users (“DAUs”) with significant loyalty and spending (core games excl. downloadables)
- Global reach with consumers from over 100 countries
- Major markets are US, UK, Germany, MENA and France

## Highly skilled and diversified group structure

- Eight studios in nine countries on three continents
- ~140 highly skilled and experienced game professionals
- Combines small indie studios’ agility with the strength of a professional public structure

## Strong ownership structure

- ~30% owned by active key individuals in our studios
- Key industry institutions hold significant positions
- Good retail spread

## Healthy financial development

- Strong growth: CAGR 2012 – 2016 of 53%
- Operational profitability (EBITDA) of 36% in 2016
- Net margin of 22% in 2016
- Diversified portfolio and strong mix of studios and games

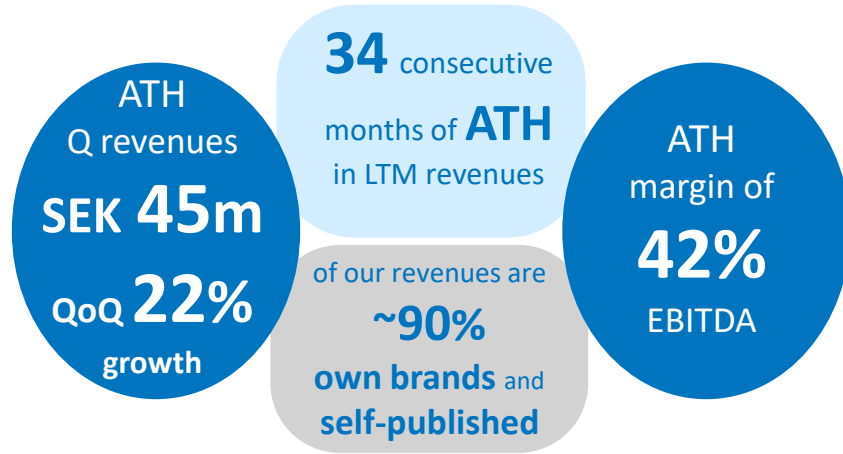
## Our Brands and our Publishing



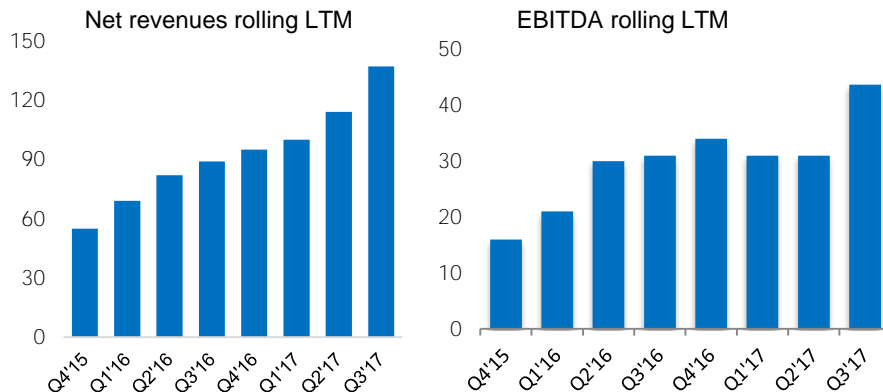
- Many million consumers have played our games with many very loyal to our brands
- Majority of current brands are long term free-to-play strategy games
- ~90% of Q3 revenues comes from own brands and/or self-publishing
- Unravel is published and owned by EA
- About 47% of Q3 run rate revenues are derived from mobile usage

# Selected highlights Q3 report

## Stillfront portfolio shows strength and stability



## High growth and solid earnings



## Investments have built a strong growth momentum

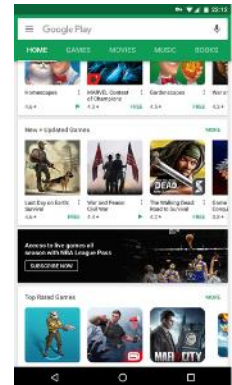


eRepublik Labs<sup>®</sup>  
crafting game worlds

- ✓ Last 16 months of investments have built strong momentum
- ✓ Number of core games has increased from 4 to 15 equalling +275%
- ✓ Acquisition of eRepublik Labs paying off, performing over expectations
- ✓ 3<sup>rd</sup> party publishing and cross platform are being accelerated

## War and Peace - our most successful launch so far

- ✓ Global featuring in Google Play store
- ✓ Monetization metrics 3x World at War, which had highest booked revenue in Q3
- ✓ Still early, but the strongest launch in Stillfront history





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# The gaming market is exciting but contains some specific challenges

## Balancing reward and risk...

### Thrilling market

- The largest entertainment market globally exceeding USD 100bn and still growing by ~7.2% p.a.<sup>1</sup>
- Dynamic with many new areas evolving
- Fragmented and unstructured market

### Uncertainties before launches

- High volatility for most companies with title risks, tech shifts and fast moving consumers
- Significant CAPEX needed with little ROI-predictability

### Profitable launched products

- By nature high profitability in already fairly successful products
- Large number of small and product-driven companies that are underexploited
- Some CAPEX needed also for proven titles, but with higher ROI-predictability

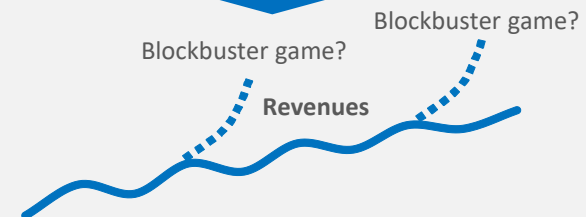
### Consolidation opportunities

- Multidimensional opportunities for M&A and alliances in the existing market
- Hard to invest without detailed industry knowledge, operational experience and personal network

## ... is key

### Stillfront's reward/risk profile

Less volatility and lower risk



- Stillfront works systematically by utilizing the opportunities in the market to form a sound and predictable business
- Stillfront combines small indie studios' agility with the strength of a professional public structure
- Stillfront would like to participate and create value in the consolidation of the gaming market in the coming 3-5 years

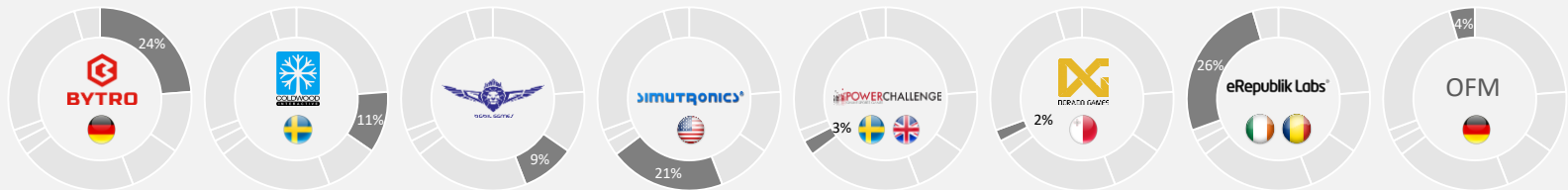
Stillfront targets a low-risk segment of the gaming industry

# Stillfront is currently operated through eight autonomous game studios ...

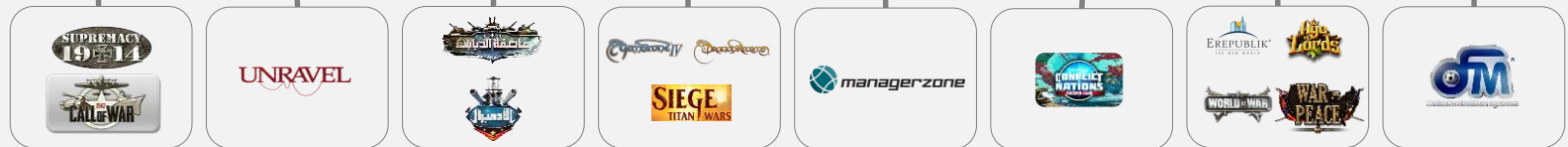
Professional central management



Eight near-autonomous subsidiaries  
(% share of Q3 2017 revenue)



15 core games as per Oct 31 2017



Across multiple distribution platforms



Tablet 
 Browser 
 Mobile 
 PC 
 Console

Source: Company information. Note: Management accounts



# ... with an increasing amount of core products and profits

Continuously evolving game portfolio with strong game build-up creates stable revenue base

## HEALTHY LEGACY

17%



- ▶ Launch in 1988 & 1996 respectively
- ▶ Low cost of operations provides high margins
- ▶ Q3 run-rate sales: SEK 16.4m
- ▶ Q3 EBITDA margin (Simutronics) : 69%



- ▶ Launch in 2003
- ▶ Low cost of operations provides high margins
- ▶ Q3 run-rate sales: SEK 8m
- ▶ Q3 EBITDA margin (OFM Studios) : 45%

## CROSS PLATFORM

29%



- ▶ Launch in Q2 2015
- ▶ Provided the highest booked revenue of all brands 9M 2017
- ▶ Q3 run-rate sales: SEK 30.8m
- ▶ Q3 EBITDA margin (Bytro Labs) : 43%



- ▶ Launch in Q2 2017
- ▶ Encourages long player interaction - built on Supremacy engine
- ▶ Q3 run-rate sales: SEK 4m
- ▶ Q3 EBITDA margin (Dorado+Bytro)<sup>1</sup> : 30%

## MOBILE APPS

43%



- ▶ Launch in Q3 2016
- ▶ Provided the highest booked revenue of all brands in Q3 2017
- ▶ Q3 run-rate sales: SEK 32m
- ▶ Q3 EBITDA margin (eRepublik) : 40%



- ▶ Launch in Q3 2017
- ▶ Strong launch - being optimized for engagement and monetization
- ▶ Q3 run-rate sales: SEK 19m
- ▶ Q3 EBITDA margin (Simutronics) : 69%

## DOWNLOADABLES

11%



- ▶ Launched Q1 2016
- ▶ Sequel under development
- ▶ Q3 run-rate sales (Coldwood): SEK 19.2m
- ▶ Q3 EBITDA margin (Coldwood): 43%



 % share of group revenue in Q3 2017

Source: Company information - based on management accounts

1) Conflict of Nations is based on Bytro Labs Supremacy engine and therefore costs are shared over studios

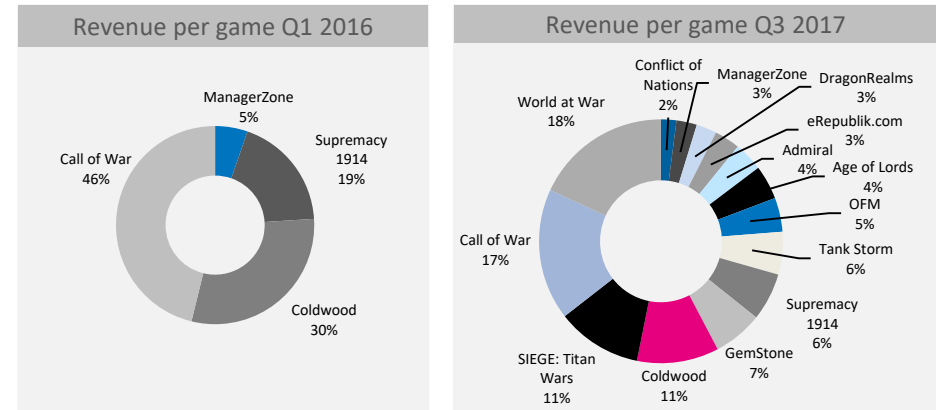
# Risk goes down and financials go up – our strategy kicks in

## Significant development at decreased risk...

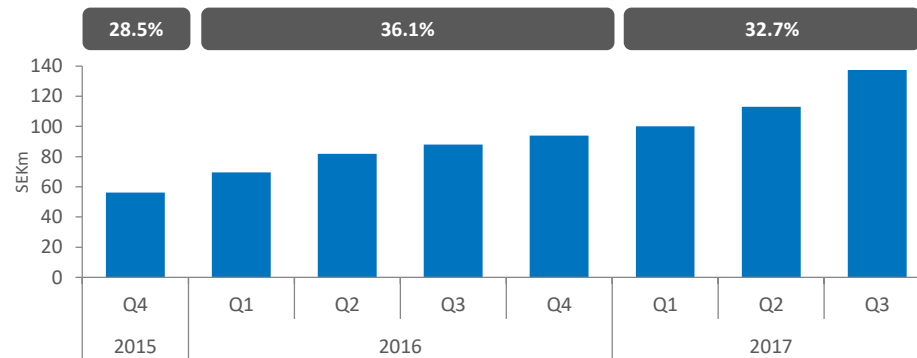
Achievements in the last sixteen months:

- ✓ Diversified platform mix with mobile growing fastest
- ✓ Number of studios up by 100%
- ✓ Number of core products up by 275%
- ✓ Broader geographical distribution
- ✓ Risk-weighted revenues and earnings increase
- ✓ Rolling 12 months revenues at ATH for 34 consecutive months

## ...through increased diversification

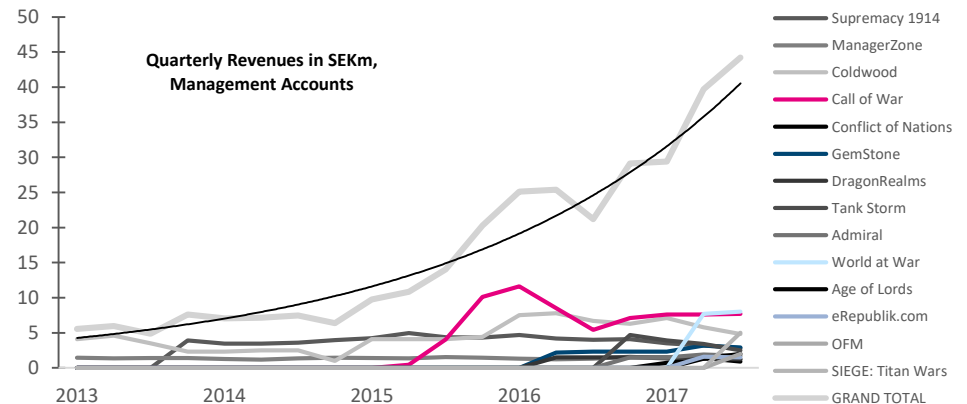


## LTM net revenue development



EBITDA margin for the full year 2015 & 2016  
Q1-Q3 2017 (in accordance with IFRS)

## Quarterly net revenue development per game

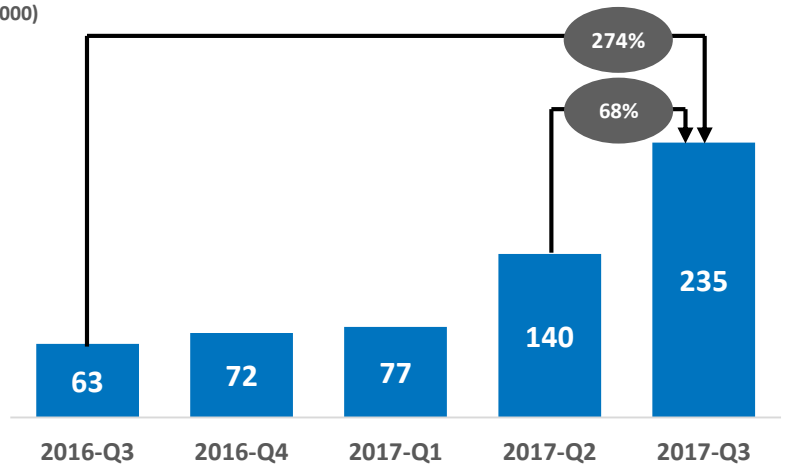




# Traffic numbers

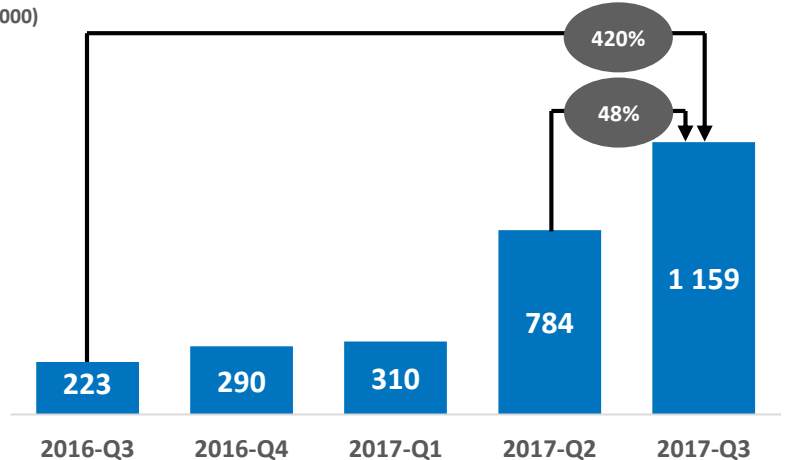
## DAU

('000)



## MAU

('000)



## Comments

- Continued high growth rates in Q3
- MAU quarterly average above 1 million for the first time
- Quarterly DAU growth higher than MAU growth – improved engagement with our products
- Quarterly player growth driven by SIEGE: Titan Wars launch and acquisition of Online Fussball Manager
- Existing portfolio of games continues to have stable player base and engagement
- Exciting near-term plans with potential for further growth
  - Call of War on mobile and Steam in addition to browser
  - SIEGE: Titan Wars - optimizing engagement and monetization
  - War and Peace and Nida Harb 3 launched
  - Football Empire to be soft launched
  - 1 unannounced new release before end of year

# Siege update



## The extensive launch is well underway

### Massive initial Apple featuring - a kick start to launch period

- Massive featuring globally from Apple including top position in US app store
- As of Sep 30, 1.7 million installs have been reached
- User Acquisitions has been made in several instances, however not yet massively

### Investments and launch process continues

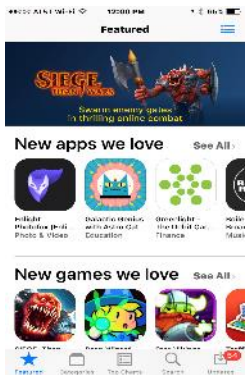
- Our global launch plan consists of marketing activities and product improvements into next year
- China mainland Android launch requires significant work e.g. to integrate with several Chinese Android stores
- Improvement of KPIs are made steadily to prepare for large scale User Acquisition and China Android Launch
- The Siege Engine is made available to the other studios

### Financial set-up differs

- As a consequence of our partner arrangements with Tilting Point and SkyMobi, the net revenues will be our top-line and not the games gross revenues
- As all costs for marketing and live operations are carried by the partners – gives us close to 100% margin
- With this set-up investments are kept at a sound level, risks are significant lower and still providing the potential

### Siege is our largest grossing product, but too early to draw long term conclusions

- Siege grossed 1.2mUSD and were booked in our Q3 at 4.7 mSEK, which qualifies it as Stillfront's largest grossing game and a core product
- The full global launch contains massive work for both us and our partners, which requires lead time
- As a consequence it is too early to draw conclusions of Siege long term potential



# Call of War update



Expanding a brand in several dimensions perfectly in line with our PLEX strategy

## Events and Content

- Constantly new maps and game play improvements are deployed
- New formats of game play are added to enhance the experience, such as very popular Speed Rounds
- Participating also in physical events for our fan base, e.g. Tanks in Town 2017

## Mobile

- CoW goes mobile in several steps; HTML5 in Q2, PWA at September 12<sup>th</sup> and Android native App launched in Oct.
- Steady increase in mobile usage, 19% of DAUs, giving higher player engagement
- 6% of ingame currency spent through mobile, increasing.
- Bytro and Stillfront very well positioned

## Steam

- CoW was launched on Steam on Oct 19
- Approximately 40k new users in first four weeks
- Steam players will be a fully integral part of the online CoW player base constituting a true cross platform product
- Reaches a very attractive audience

## New Meta game features

- Meta game is important for further increase of engagement over time
- Example of meta game is building your career over separate rounds of game play
- Could result both in new products and extensions of existing products, both strengthening the core brand



# War and Peace update



Most promising new product soft launch so far

## Sophisticated theme selection

- Different themes are compiled from creative processes, market intelligence and research
- Themes are marketed and results are tracked
- Different graphical assets are promoted per top themes
- Iterated several times per year to refine results and increase statistical significance

## High quality product on proven engine

- War and Peace is a free to play strategy MMO with a realistic American Civil War theme
- It has highly polished production values with historical characters & landmarks
- By reusing tech, assets and experience from the previous games, the initial investment was ~1mSEK only

## A flying start

- War and Peace KPIs are the best so far for any early product including success World at War
- Global launch and featuring by Google Oct 19th – 26th, including top position in US, after record swift soft launch. Gave 100k+ installs with 3x higher monetization than World at War
- Levels during first week of November making War and Peace on par with Call of War
- Initial investment recouped in the first few weeks





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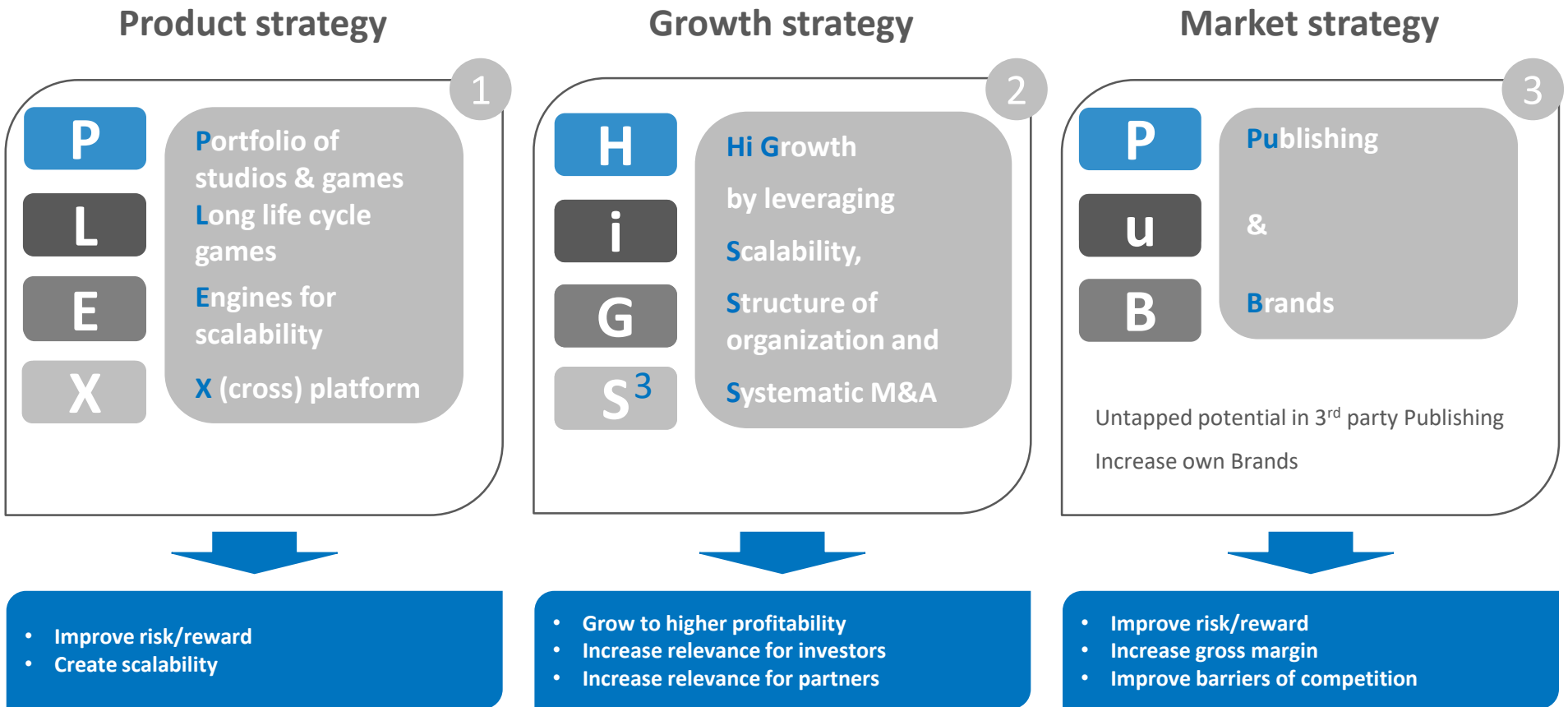
Outlook 2017

The logo for the game "Conflict of Nations: Modern War" features a blue globe with a white grid pattern. The words "CONFLICT OF NATIONS" are written in a bold, white, sans-serif font across the globe, with "MODERN WAR" in a smaller, red, sans-serif font below it.

CONFLICT  
OF NATIONS  
MODERN WAR

# Business strategy based on three pillars

The strategy pillars have different purposes



Stillfront's strategy has proven to be a powerful tool for reaching new targets and achieving progress



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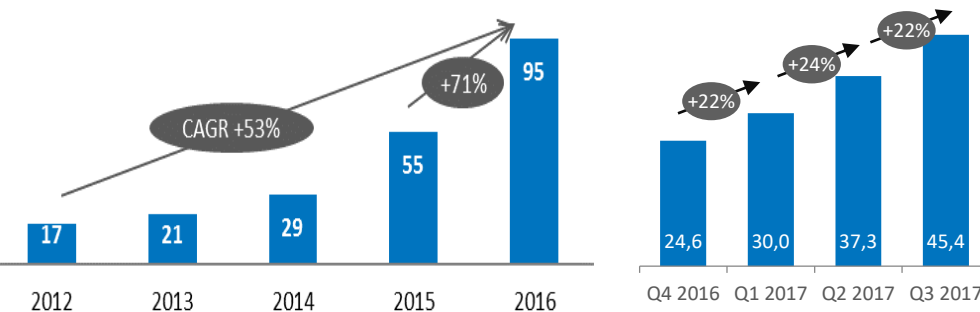
Financials

Outlook 2017



# Strong financials

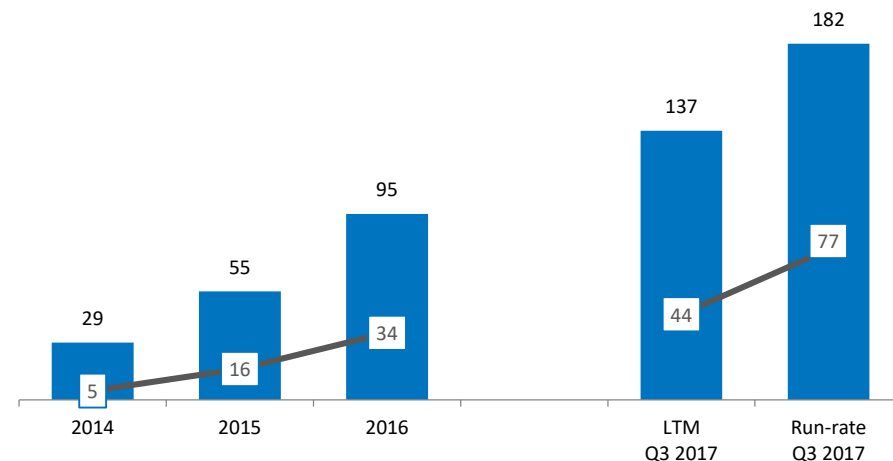
## Net revenue growth (SEKm)



- Q3 Revenues: 45.4 mSEK
- 22-24% Q-o-Q growth for 3 consecutive quarters
- Growth last year mainly from
  - Successful development for Call of War
  - Good momentum at Simutronics
  - Strong growth in Coldwood
  - Successful acquisitions (Babil, eRepublik, OFM)

- 53% CAGR from 2012 to 2016 attributable mainly to organic growth

## Revenues and margins 12 months (SEKm)



- Q3 EBITDA: 19.2 mSEK
- Adjusted Q3 EBITDA: 17.2 mSEK. Adjusted with net 2.0 mSEK due to non-regular revenue and acquisition costs
- LTM: Revenues: 137.3 mSEK and EBITDA: 43.7 mSEK
- Run rate: Revenues: 181.7 mSEK and EBITDA: 76.9 mSEK



# Balance Sheet

KSEK	2017-09-30	2016-12-31	2016-09-30
Intangible non current assets	359 168	264 499	104 744
Tangible non current assets	1 077	775	737
Deferred tax assets	8 174	7 779	767
Non current receivables	4 768	-	-
Current receivables	22 595	13 707	9 822
Cash and bank	71 131	35 774	56 835
<b>Total assets</b>	<b>466 914</b>	<b>322 534</b>	<b>172 905</b>
<b>Shareholders' equity</b>			
Shareholders' equity attributable to parent company's shareholders	162 110	134 261	107 258
Minorities	19 159	19 733	16 572
<b>Total Shareholders' equity</b>	<b>181 269</b>	<b>153 994</b>	<b>123 830</b>
Non-current liabilities	264 147	148 090	31 674
Current liabilities	21 497	20 450	17 401
<b>Total Liabilities and Shareholders' equity</b>	<b>466 914</b>	<b>322 534</b>	<b>172 905</b>

- Intangible assets mainly consists of
  - capitalized product development (68 mSEK)
  - acquired products (38 mSEK)
  - Goodwill (253 mSEK)
- Deferred tax mainly attributable to accumulated losses
- Non-current liabilities mainly attributable to
  - expected earn-out payments (131 mSEK)
  - bond issued during Q2 (102 mSEK)
  - tax related to subsidiaries not capitalizing product development



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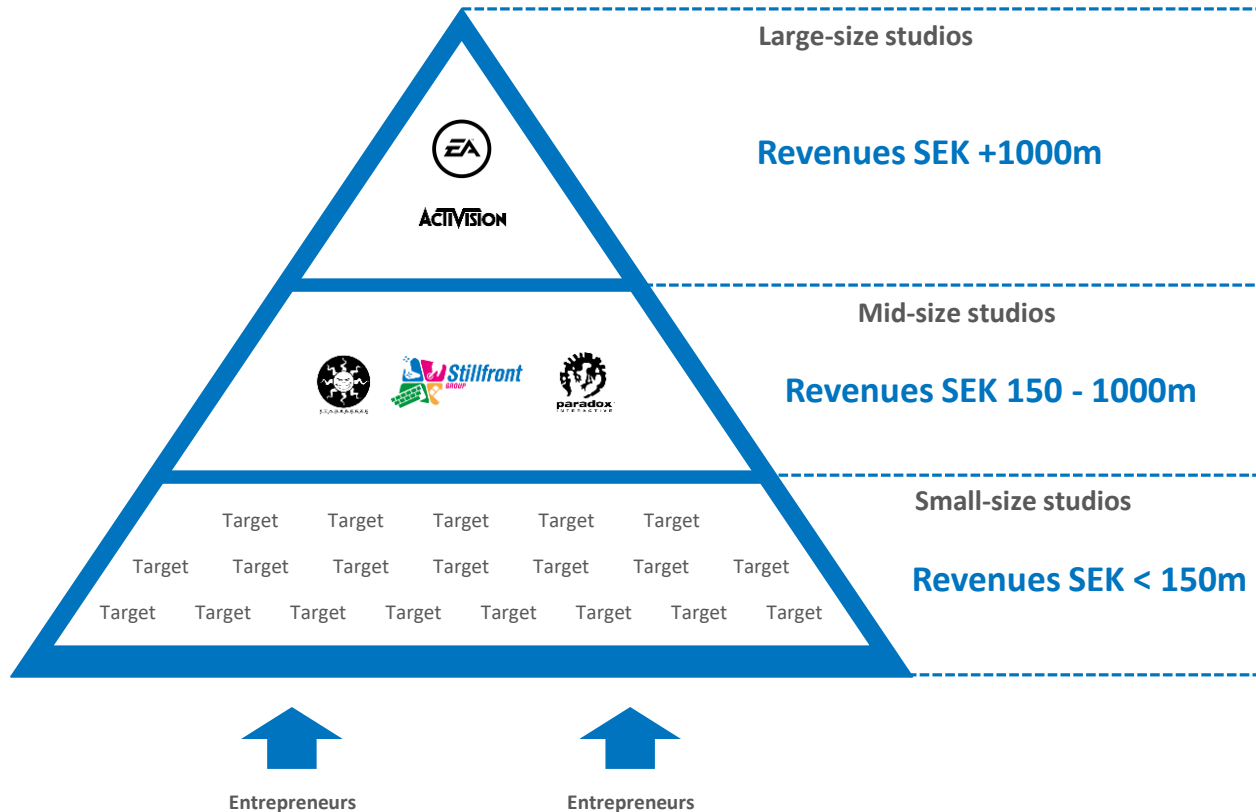
Strategy

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# Stillfront is actively searching for stable and long-lived small-size games

## Distribution of market players



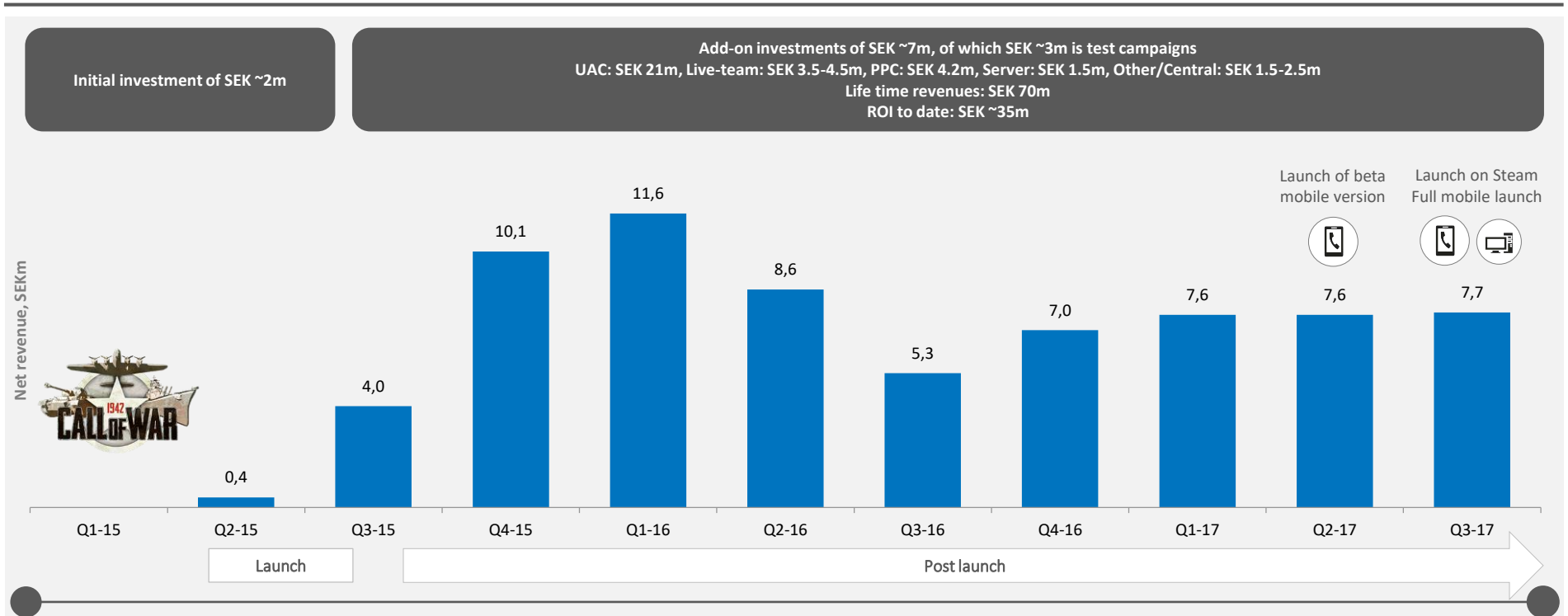
## Comments

- Stillfront is actively looking for small-size studios, typically with a few well established highly profitable games. The space within small-size studios with revenues up to 150m is large and fragmented with several attractive targets with suitable characteristics for Stillfront
  - Stable revenues and user base
  - Long-lived profitable products with low technological risk (i.e. established game platforms)
  - High-quality and well maintained
  - A superstar team
- Stillfront combines small indie studios' agility with the strength of a professional and larger public structure

Multiple advantages from a larger platform to consolidate small-size studios and attracting synergies to a lower operational risk

# Case study organic growth: Call of War

Cash flow yielding new products... yielding further cash flow and investment capacity...



### DEVELOPMENT

- ▶ Call of War is developed by Bytro Labs based on the same SUP-engine as the successful game Supremacy 1914
- ▶ Initial investment approximately SEK 2m
- ▶ Stillfront recouped its investment after six months. At that time, Call of War generated quarterly revenues of SEK 10.1m



### MATURITY

- ▶ During 2017, Call of War provides the highest contribution to group revenue of all of Stillfront's games (20%)
- ▶ The game has approximately 30k DAUs and 130k MAUs
- ▶ Call of War can benefit from other games that are based on the same SUP-engine, and vice versa, which is highly cost-effective

Source: Company information – based on management assessment.

# Case study acquired growth: eRepublik Labs

Significant and immediate growth at decreased risk...

...through instant increased portfolio of core products

## eRepublik Labs

- Strong publishing capabilities
- Focus on mobile, representing 83% of revenues and all new products
- Highly skilled loyal team and experienced business builders
- Shared view on strategy and philosophy
- Higher growth and higher profitability



## Key benefits for Stillfront

- ✓ Prestigious add-on to studio portfolio
- ✓ Portfolio increases with a third and is hence de-risked further
- ✓ Revenues grows by 30% instantly although only a 7% increase in number of shares outstanding
- ✓ Significant shareholder value created

## Key benefits for eRepublik Labs

- ✓ Receives a strong partner with significant scale in terms of publishing
- ✓ Possibility to tap into synergies with the rest of the Stillfront group
- ✓ Reaps the benefits from being able to continue operating near-autonomously whilst being securely supported by Stillfront



Win-win!

\* Based on Q1 Management Accounts

# Outlook

## Growth is highest priority

### Strategic and tactical priorities

1. Growth in portfolio of products and studios
2. Further reward/risk balancing
3. Increased diversity in platforms
4. Development of operational model for increased synergies and efficiency

### Several new products are being launched

- Conflict of Nations is launched and marketing has picked up successfully in October
- Nida Harb 3, Call of War Mobile & Steam, Siege and War&Peace are all in the launch process
- We continue with having launch processes over several months for products showing strong potential

### Further expansion of portfolio

- Bytro are in development on next generation engine's new product "E2" targeting H1'18
- Coldwood's CWIP1 is progressing, however with ramp-up of production slightly behind plan
- eRepublik has one more mobile game in pipeline for launch 2017
- Football Empire is targeted to start soft launch 2017
- Pipeline for 2018 is expected to exceed 2017. Detailed plans are being defined and decided upon in Q4.

### Acquisitions

- eRepublik Labs and OFM has been overperforming and add significant value for the Group
- Deal flow significantly higher both in volume, quality and size
- Attractive reward/risk with the Stillfront business model letting units being semi-autonomous

### General:

- Our vision is to create the leading group of indie studios, delivering high shareholder value through high profitable growth with diversification and lower risk than comparable companies
- **IF** we have to have to choose lower margins a single quarter to gain long term strength – we will. SF play a long term game
- Organic investment pace in relation to revenues will go down increasing cash conversion. Mid term we expect it to be at ~10%
- As acquisition opportunities are attractive, we seek to use the momentum fueled by our increased financial capacity

***Stillfront performs a very solid 2017 – and will enter 2018 in top gear***



# SIEGE

## TITAN WARS

Thank you

