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Stillfront Group AB (SF.SE)

Acquisition of Six Waves Inc. by Stillfront Group AB Call

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MANAGEMENT DISCUSSION SECTION

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

Welcome to this Presentation of the Acquisition of 6waves. Good morning, everyone. So, with me here today is Andreas, our CFO, and Marina, Head of M&A. And we will start with a short presentation, and then we will go into a Q&A session.

Slide number 4, please, Andreas. So, first, an overview over 6waves. 6waves is a company that we have followed and have closely since many years. And the last two years, we have been in discussions with them. They have quite the unique position. They have a long and strong track record of focusing on strategy games for the Japanese markets. They were established in 2008, and they are approximately 135 full-time equivalents as of today. They have revenues of SEK 755 million up until Q3, the last 12 months up until Q3 2021, with an EBITDA of SEK 252 million. And they, in September, had 171,000 monthly unique players.

They focus on so-called 4X strategy games, which is an area where we are legacy basically in Stillfront where we have been active for many, many years from the very beginning. So, we know that area well. We are very well positioned to create synergies together with a strong team. I will come back to that later in the presentation. But they have definitely a very proven track record of adopting high-quality strategy games into the Japanese market.

The revenues are 100% in-app purchases, and no ad revenues at this point. That's an opportunity as well. And their offices are headquartered in Hong Kong and they have offices in both Tokyo and Beijing. And you can see on this slide also, they have currently four main titles, which are evergreen titles, with a high stability and predictability in its revenues. And you also see the split of these revenues on the lower right side of this slide.

Please, next slide. So, looking a bit more into their products. The typical games are medieval Asia setting, the historical Asian settings which are very popular and, as I said, very strong loyal user base and hence stable revenues. So, they are these kind of true evergreen strategy titles that we know very well and have a number of them in our portfolio. And they have – the current titles that have been developed externally and they have long agreements with being the sole publisher for the Japanese markets for these games.

They are also – in their pipeline, their very strong pipeline of products are starting coming out mid this year with so-called second-party publisher, meaning that someone has developed but everything is owned by 6waves and they're also through their own development studio in Beijing. Also, later on, there will be a so-called first-party publishing deal where basically they publish the games that they have developed themselves.

So – and also this is not only addressing the Japanese market, these games can be adopted and we can use the knowledge and the presence and the market reach that Stillfront have built for many years to actually reach a global audience. That's a very exciting opportunity coming up for growth. We also have a few games that we have – that was divested previous transaction that was not fitting the portfolio that Stillfront are focusing on.

Next slide, please. So, there are many, in our view, not only we think this is a financial appealing transaction. We think this has a very, very strong rationale and fitting extremely well into the Stillfront's strategy that we have conducted for many years. And this will be a very important and yet another brick in building Stillfront to be the leading free-to-play mobile games powerhouse.

So, obviously a very strong foothold in Japan, and Japan is the third largest mobile gaming market in the world and with the highest spending. So, it's a very attractive market. And what is exciting is that this makes Japan being our second largest market for Stillfront after US. So, now, we get to balance between the different parts in the world in a very good way I think. So, we are increasing diversification not only within strategy, but also between our different product areas and also in geography.

And as you have heard us saying many times, we think that one attribute winner in the gaming market needs to have is an extremely good market reach and have the opportunity and the capability to optimize capital allocation and resource allocation over a wider and wider array of both products, product genres as well as geographies. So, this is fitting that extremely well. Also, expertise that Arthur, Rex and their team have developed over so long time, 14 years, really how to adopt and bring high-quality games into the Japanese market, both when it comes to the product, when it comes to live ops, and when it comes to marketing, which differs in many ways compared to how it is in US, how it is in Europe, how it is in the Middle East region.

And also, we see there is a strong cross-publishing opportunity to take other strategy titles that is already existing in the Stillfront portfolio and through the 6waves teams' extreme expertise on this area, adopt them and launch them and develop these games in Japan in particular. So, that is an obvious and very interesting cross-publishing or cross-synergy basically that we think we can create, but also the other way. These high-quality games with an adoption for other markets is also a great opportunity. As a matter of fact, our success that we have enjoyed in the MENA region is based on publishing games that are primarily developed in Asia. So, we have seen that that fits very well already, but now we can take 6waves games and publish them in the MENA region.

Also through this transaction, we get access to a very highly skilled development studio in Beijing, a high quality at a good cost benefit or cost quality ratio. So, we think that is a very good opportunity not only for publishing games as to the primary purposes today for 6waves to publish in Japan. As I said, that is yet another muscle for the whole group to benefit from over time.

And, last but not least, we have tried for many years to get a strong foothold in Japan and in Far East, but that is very tricky to do from – on remotely – from basically doing remotely. We work with agents in different ways to try to establish this. And with this app transaction, we get exactly that. And the team is very well-established and well-known and have obviously very strong networks, so they can have a role of strengthen our position both organically, obviously, but also through new partnership and potential new acquisitions in the Far East, because we have the presence we add to our network significantly. So, there is a very, very strong strategic rationale for us, and we are very pleased to present this transaction today. It's something that we have looked to do for several years with this specific company.

Next slide, please. So, the transaction structures that we pay up from \$201 million on a cash and debt-free basis where around approximately \$185 million is the cash consideration and the remaining \$16 million is a share consideration. Important here is that the operational shareholders representing some or active shareholders, employees, they take 75% in cash and 25% in equity. So, they will have from – already the upfront consideration, a significant portion and, hence, an alignment of interest for developing and creating shareholder value as well by owning a significant portion of Stillfront stock.

We make this transaction on what we think is very attractive multiples, 6.8 EV/EBITDA. And important is that we are not looking in some future EBITDA. This is the historical EBITDA up until including Q3 last year. So, if you think that this will grow in profits, obviously the multiple will be lower looking forward. So that is important to also emphasize. So, we think that's a very attractive multiple for a quality asset and a quality company like 6waves.

Then we have an earn-out from 2022 to 2025, and this is also very important. The earn-out is only for the operational shareholders. So, the financial and industrial shareholders that are also sellers, they will not participate in the earn-out and that the earn-out is a model built upon a number of parameters and combination of top-line growth as well as profit growth and profit development. So, it's not – and it's per year up to a maximum of 1x EBITDA. But then they have to grow and they have to grow both top line and the EBITDA. A total cap of \$100 million exist for these full four years. And as mentioned, this is a 75% cash and 25% Stillfront stock. And the stock will be issued after each of the earn-out years, respectively.

Next slide, please. Here you see a preliminary pro forma income statement for this deal up until Q3. And as mentioned, they had SEK 755 million in revenues, which at that point LTM Q3 represented an increase or an additional 15% revenues. And also, they have an EBITDA (sic) [EBIT], as mentioned, of SEK 246 million, which represents a 14% increase relative to our reported numbers for Stillfront Q3. As you can clearly see here, they have a slightly different structure in the P&L for the very simple reason that the majority of the revenues up until Q3 were third-party publishing. So, then you have a direct cost for royalties. But, on the other hand, you have an offset, because you have a lower cost base. So, as you can see, they have a very strong 33% margin for the last 12 months up until Q3. So, the profitability is strong, but the structure in the P&L is different from what we have in Stillfront.

We can go to next slide, please. So, just to repeat and summarize a bit, we think this is a highly attractive and for a long-time sought-for opportunity for us. We build a very strong presence in Japan, which becomes our second largest market, one of the most attractive markets globally. This adds to our scale and we know that we are good at creating synergies, our synergies that we have created through the Stillops operational platform so far in Stillfront increases not only linearly with the number of studios we are, it increases progressively. So, I am sure and we have already identified a long list of things that we should start with immediately after closing this transaction to deploy. So, I see great cross-publishing opportunities, but also a number of other synergy opportunities as well alongside.

And of course, as mentioned, this provides us with a platform for further expansion and growth, both organically, but also through add-on acquisitions in East Asia, which is very hard to do remotely. So, all in all, very attractive. It contains not only a very sound and strong and growing business in itself. It adds components, building a much stronger Stillfront for many years to come.

Next slide, please. We also provided you with an updated guidance for the fourth quarter. We have a guidance already out from Q3. But now as we are closing the quarters very soon, we narrowed the outcome to SEK 1,430 million to SEK 1,450 million in net revenue, so we will be slightly higher than the midrange. And also looking at the adjusted EBIT, we will also be on or slightly ahead of our previous guidance. And now, we see – we say that SEK 450 million to SEK 465 million in adjusted EBIT. So that implies a 32% margin in Q4. And we are, of course, very pleased with that and that we have returned to organic growth in Q4. But more about that as we report the fourth quarter. This is just an additional important but additional information. We focus primarily on presenting the acquisition at this presentation.

So that was basically what I intended to present initially, and now we open up for Q&A. And it's not only you can ask both me, and we have Andreas and Marina here to talk about both financials and the financing, as well as the transaction and the company, where Marina has obviously been leading the great efforts in a very good way in the last months. Please go ahead.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Martin Arnell with DNB Markets. Please go ahead.

Martin Arnell

Analyst, DNB Bank ASA (Sweden)

Q

Good morning, Jörgen, Marina, and Andreas. I have a question, firstly, on the Japanese market. What do you think is the market growth forecast in Japan for mobile free-to-play for the coming years? And sort of how mature is that market today?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Well, I think that what is key here is whether we see growth opportunities, and we do. So, I don't – honestly, I don't have them. Maybe Marina or – has that number by heart. But I don't know the latest market report for Japan. But it is a – obviously a mature market just as it is in for strategy games in general. But we are quite used to that circumstances. Strategy games in itself are a much more mature part of the sub-genre that were part of the mobile games industry, which is, by the way, the very reason why we have broadened our genre footprint into casual mashup and the simulation around RPG. But we are very keen to keep the balance between strategy games, because strategy games are not necessarily growing by 20% per year so easily, but it's very stable, it's very predictable and you can have a very good and predictable business coming from that, and also growing that, but with lower numbers on average.

So, both having high-growth segments in our portfolio, as well as the stability and predictability from strategy games. But also having said that, we have been growing, for instance, the Goodgame, the Goodgame games with – that were very early on and pioneering and being – creating some of the largest strategy games under the

Empire brand for many years. They actually grew the first three years after we acquired them when we received the same similar questions.

So, it's definitely possible through good live ops, through precise marketing to grow strategy games, which I'm sure we have the opportunity to do. But to existing games, to grow them at double-digit percentage is tougher than other types of games. But very importantly is that we have a strong pipeline of new games coming into the market. And besides directly from 6waves, but also we have the opportunity to take existing typical games, adopt them and make them grow in Japan.

So, we see several growth opportunities not driven from the market necessarily growing that much, but what we have in the pipeline and what kind of cross-selling or cross-publishing opportunities we have.

Martin Arnell*Analyst, DNB Bank ASA (Sweden)*

Q

And Jörgen, what would be your sense – sorry.

Marina Andersson*Head-Mergers & Acquisition, Stillfront Group AB*

A

Quick comment. Their growth year-on-year is approximately 18% based on consumer spending, but what's also very relevant is that the level of spending of the players because Japanese players are high spenders, which is also very relevant and attractive for us, of course.

Martin Arnell*Analyst, DNB Bank ASA (Sweden)*

Q

Okay. Thanks a lot for that. And what's your sense about 6waves market share in Japan? Do you have a number for that?

Hans Jörgen Larsson*Chief Executive Officer, Stillfront Group AB*

A

I mean, I would love to count. I often get the question. How – what is your global market share? And as you all know, this is still a fragmented business even though we see transaction happening, we make a transaction today, but also very large ones where companies among the 25 largest are acquiring each other. So, this is what I refer often to the second wave of consolidation.

So – but we are still a very small company in terms of market share globally and also 6waves in Japan, which I think is good, because that proves that we have great growth opportunities both organically as well as non-organically. There are many companies out there. So, I think that Stillfront as a whole has 1% or something of their mobile gaming market or something in that direction. So, it's not like we are competing with a few others about being the market leader in terms of market share.

Martin Arnell*Analyst, DNB Bank ASA (Sweden)*

Q

Okay. Thanks. And then on geographic expansion, how important is that for 6waves to grow the games outside Japan and in the region?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

As I said, they have a very – I mean, they are really, really good on what they're doing. I mean, many of the largest gaming companies in the world use 6waves for launching title in Japan. I think that says a lot. So, they have an operational, ongoing business going concern, which is functioning obviously very well. You can see the profitability and the very stable business that they've had for many years, and they have been growing also and have a lot of products on its way out. So, I think that stands on its own.

But as mentioned, we can grow by several other dimensions, so both that 6waves get the expertise and the corresponding knowledge that they have for Japan, we – Goodgame have for Europe and Babil have for the MENA region. So, obviously, that is a good opportunity – add-on growth opportunity for 6waves so – and then also by the fact that they work with engines and understand how to build engines and use engines for build new games with an optimized capital requirement, that is one of the core strategies that we have had in Stillfront for many, many years. So that means that they can take engines from other parts of the Stillfront Group to develop games for Japan and vice-versa. So, we have, as mentioned, multidimensional growth opportunities. But overall 6waves as is standalone is a very healthy and a growing business.

Martin Arnell

Analyst, DNB Bank ASA (Sweden)

Q

Okay. Thanks. And finally, a final question from me is on the Q4 update. Would you care to comment anything about what kind of level of organic growth you posted in December and also if it has continued in the first weeks of January? Thank you.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

We will come back when we report the Q4. I think, otherwise, we focus on wrong things. But we thought it was important to mention what we have been talking about since the beginning of the year that we expect that we should return to organic growth, whereas the comps are getting away. We managed to reach that in December and we have provided ourselves with the best possible opportunities to grow organically in 2022. But more details about that when we present our Q4 quarter more in detail.

Martin Arnell

Analyst, DNB Bank ASA (Sweden)

Q

Okay. Thank you. That's all.

Operator: Our next question comes from Oscar Erixon with Carnegie. Please go ahead.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

A couple of questions for me, starting with the pipeline. You mentioned in the press release here a mix of first-, second- and third-party titles due to come out in the coming years. Can you say something about how many titles you expect in 2022? And also what category or titles in terms of own development or externally developed? Thank you.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Well, maybe Marina you could elaborate a bit on the pipeline.

Marina Andersson

Head-Mergers & Acquisition, Stillfront Group AB

A

Yeah. So, for 2022, it's a mix actually of third-party, second-party, and in-house developed titles. So, we have for our 6waves two third-party titles, as Jörgen mentioned during the presentation. So, 6waves is the publisher in the firsthand. So, they've been working with third-party publishing for a long time and very experienced. So, we have two expected launches. Also, second-party, two of those for 2022 and what is relevant and interesting with second-party is that larger revenue share goes to 6waves, which means good news for profitability, of course. And also, one is the in-house developed title. So, a very strong pipeline.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Excellent. Thanks, Marina. And then a question on growth partly related, of course. But it seems like 6waves has had several years of sort of double-digit growth as far as I can tell revenue-wise, but more limited growth in 2021. What can we expect in 2022 both in terms of revenue growth and also margin? So, I mean, I think any indication, flat revenue or 5% to 10% growth? What is reasonable to expect in 2022 and 2023 just roughly? Thank you.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Yeah. As you know from many talks, Oscar, that we don't give forecasts for – especially not on the individual studios. But again as always there is a clear – I mean, you need to understand and I know that you are good on understanding our business since many years, Oscar, but there is a very solid foundation of strategy games and there is no more solid thing in the gaming industry than strategy games.

They – the existing games – they are, they will provide – we think there's a good chance that they will grow but that will be single-digit percentage point system is the best guess. I mean, you can get further traction before we manage to potentially get them to other markets as well but in Japan. So that will not be a high growth. But on the other hand, they're very stable so the risk for them declining is correspondingly low. But the growth opportunities come from the pipeline obviously that Marina spoke about. So, I think that especially in the second half of the year, there is a very good chance that at least typically 20% becomes very good, the 20% fail, and 60% becomes somewhere in-between. So, I think that they are building on – they are definitely not on a lower percentage point, percentage ratio between successes and mid and fails, but this is the average that we have had over 11 years since Stillfront. I think 6waves had a better percentage distribution.

So, some game very likely will gain traction than how much game number three in the pipeline will generate during 2020 through, I mean, it's impossible to say, but it will be growth coming from these games in 2022 and more – even more so in 2023. So, it will not – I think it's a fair assumption to say this is probably not as much a growth case as, for instance, Jawaker that we acquired in September. But there is – it's definitely a very stable business with growth opportunities, and as you rightly pointed out, they have shown in the history that they have been good on growing strategy games more than most other strategy games publisher, I must say.

So, we have high hopes, and we have built it into our earn-out model that they should grow. And they also agreed to do that, which also shows, I would say, that they are comfortable and believe in growing this with a double-digit number, but not necessarily 20%, but I think there is a good chance of growing this business over longer time with double-digit percentage points. But, again, it's very hard to say in short-term. But the downside is, on the other hand, very, very low.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Excellent. And then a question related to my first question. What developers and publishers outside of Japan is 6waves cooperating with as a publisher? Is that the likes of Tencent, NetEase, or is it also smaller developers?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Marina, maybe you can take that one.

Marina Andersson

Head-Mergers & Acquisition, Stillfront Group AB

A

Sorry. Could you please repeat the question?

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Absolutely. So, what developers and publishers outside of Japan is 6waves cooperating with as a publisher? Is it the likes of Tencent and NetEase or is it also smaller developers?

Marina Andersson

Head-Mergers & Acquisition, Stillfront Group AB

A

Well, so there is a number of – so, it's not Japanese developers in the firsthand, so – but the portfolio, if you just look at the website of 6waves, you can see that they have really broad experience of cooperating with leading developers. A number of developers are Chinese who they're working with. But there are a number of international developers. They are an experienced publisher.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

And we can say that Tencent is one of them. Yes.

Marina Andersson

Head-Mergers & Acquisition, Stillfront Group AB

A

Yes.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Great. And then, a final question from me for you, Marina, as well. Can you say something about what the M&A pipeline looks like and how this acquisition can support further M&A in the Far East in Asia?

Marina Andersson

Head-Mergers & Acquisition, Stillfront Group AB

A

So, for us, we've been looking quite for a while to find great team in this region. And for us, of course, it's a really big step, because we are building a strategic presence in East Asia. So, we are convinced that 6waves team will help us to grow through add-ons in the region, because it's very, very challenging for a Western player to enter into this region and to establish presence.

And we've known this team for over two years just the management of Stillfront. So, we feel like – so, we've been already preparing and working together and we have really big hopes for that this acquisition will help us to grow in the region.

Oscar Erixon

Analyst, Carnegie Investment Bank AB



Perfect. Thank you very much. That's it from me.

Operator: Our next question comes from Nick Dempsey with Barclays. Please go ahead.

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.



Yeah. Good morning, guys. So, just looking into history, 6waves had some allegations of cloning other people's mobile games and there were some settlements around that. I mean, we're talking 2012-2014 that sort of timeframe. Can you just talk about what you know about that? And how much confidence we can have that issues like that are no longer a risk around this business?

Second question. We know there are regulatory changes in China around video games that could be more at some point. That's an uncertainty out there in the video games landscape. 6waves, all of its revenues in Japan, but is it protected from those regulatory issues despite the fact that it has offices in Hong Kong and Beijing?

And the third question, I'm just wondering if you can give us some more color on why you've chosen the mechanism of a rights issue for this deal. Can you talk about what other options you considered in my views to achieve the same thing?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB



Marina, maybe you can take the two first, and Andreas can take the rights issue topic.

Marina Andersson

Head-Mergers & Acquisition, Stillfront Group AB



Of course. Regarding the allegations about cloning the games, I think so any developer or publisher may have this kind of cases. So, there were like – so, obviously we've done our legal due diligence, in-depth due diligence and this is one kind of questions that you really make sure that there is nothing like that that is pending or like – so that there is no exposure or whatever. So, all of this kind of issues are settled for long time ago and no risk of going forward. But it's not unusual that this kind of things come up for any developer or publisher.

And then the second one regarding the Chinese regulations, so what we have with 6waves, we have talented team of developers located in China, so it's like this is a great benefit. But we do not have revenue generated in China, so like almost the entire revenue is generated from Japan. And what we see there it's like it's a benefit for us, because these talented Chinese developers can work on games that generate revenue and China and hopefully going forward, more revenue also in the Western market. So, for us, it's not a threat but rather a benefit.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB



In terms of financing, first is important to make clear that the deal is not conditional on the rights issue. We are using available capacity on our credit facilities to actively finance the deal and it's now new credit facilities and that's why we have that capacity. And then, of course, in terms of the types of rights issue it can do in terms of a preferential and the rights share issue, we chose, after deliberating on that, based on the historical market volatility and also to go down that route.

And I think it's also important that we have a strong support from our shareholder base supporting us in this transaction or have indicated support or [indiscernible] (00:36:07) have indicated very, very strong support for the way we were proceeding with this. So that was the driver for that type of rights issue. But it's important to remember, we will be able to close the deal without that, it's just to get a better balance sheet and a strong – an additional firepower to actually [indiscernible] (00:36:28).

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Q

Okay. Thank you, guys.

Operator: [Operator Instructions] Our next question comes from Simon Jonsson with ABG. Please go ahead.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

Hi and thanks for taking my questions. I have some questions about the organic growth in Q4. If the organic growth is presented in constant currency or non-constant, and also are the games Iron Throne and Crush Them All included in the organic growth numbers? If they are, can you just give us the organic growth without them in December.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

I can start with that and maybe Andreas can fill in. But again, we are not presenting Q4, we will come back to the details of Q4. So, we just thought that this was so important because it has been a discussion about that, and we have been repeating that we expect to be back on organic growth. And the first bone is not – I mean, that is primarily generating revenues. There's a few days of revenues maybe, but that is neglectable in Q4, so that is going forward. And also when it comes to revenue recognition from – that's a longer discussion, but when you acquire assets, it's very dissimilar to publishing [ph] actually which (00:38:04) in this case because when it's publishing, you acquire the right to publish something, another game, which is very similar to acquiring a asset because you need to put in your own team working with it. It's not the business that is operational. You have to take your own cost and not sell them. You have a transition period of several months to get that asset into your business, which obviously are associated with some costs. So – but we are happy to elaborate further on that as we present the Q4. This is primarily about the acquisition.

Maybe if you have an additional comment at this point, Andreas.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

A

I think we should talk about that in Q4.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

Okay. Thanks. But in general, organic growth, is it constant currency or non-constant?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Sorry?

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

Is the organic growth in constant currency?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Yeah. Yeah. So, you – exactly, that's correct. So, currency is not...

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

Okay.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

...it's neutral, so to speak.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

All right. Thank you.

Operator: Our next question comes from Emmanuel Caudron with Quaestor. Please go ahead.

Emmanuel Caudron

Analyst, Quaestor Vermogensbeheer NV

Q

Thanks for talking my question. So, the selling party, Nexon, announced in their press release on the acquisition that they did not succeed in getting enough synergies out of 6waves. Why and how confident are you that you can do this?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Yes. So, I think that we have proven that we are very good on creating synergies in the group. We have been investing in our Stillops platform for exactly this purpose and that we have done for 10 years. So, I think we – the whole structure of business since I founded this company more than 11 years ago, we said that we should be leading on creating a value add and a structure in itself, so that we are creating synergies. So, I think we are quite good in this and we can look at the actual synergies that we have created so far are in relation to the individuals, do this by themselves is really significant indeed.

So, we have had some – more than 100 synergies projects running where I think 60, 70 are running as we speak now, both on product level, always on marketing and leveraging the market reach we have been very successful in, but also sharing expertise in different areas. So, I think that has been also a very decisive factor for the – I mean, the largest shareholders in 6waves where we are still a few days. Not Nexon, it's the management and the people being [indiscernible] (00:41:16). So, I think they see also that we are more likely to create synergies. That I cannot speak for and I should not speak for Nexon but then it comes – it's not a complete surprise they express it in one way and we see things differently when you're on the buying and selling side of the transaction. So – but we know what we can achieve. We know what we wanted to have the list of things that we are ready to start to working with on the first day after closing. So, we feel confident and we know what to do.

Emmanuel Caudron

Analyst, Quaestor Vermogensbeheer NV



Okay, great. Thank you.

Operator: There are no further questions. I hand back to our speakers.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

Yes. So, just closing words from me. Thank you, everyone, for dialing in. And, again, we are extremely pleased with reaching this, I would say, even a milestone in development of Stillfront being – getting the establishment in Far East that we have been seeking so long and it's a high-quality establishment as well. And also, we regain a good balance between the three product areas and we get Japan, which is a very exciting market being the second largest for Stillfront and we have prepared for creating a lot of synergies going forward.

So, we are extremely pleased about the industrial fundamental value creation that this acquisition brings to us and our shareholders for a long time. So, thank you for listening and asking questions. Thank you all. Bye-bye.

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