

Q1

# Stillfront Group Interim Report 2019

**STILLFRONT**  
GROUP



## Highlights first quarter

- Net revenue amounted to 418 MSEK (315 MSEK), an increase of 33% compared to the first quarter of 2018.
- EBITDA amounted to 154 MSEK (103), an increase of 50%.
- EBIT amounted to 113 MSEK (73), an increase of 54% compared to the same quarter last year.
- The net result amounted to 69 MSEK (46).
- The net result per share undiluted amounted to 2.93 SEK (2.05). The net result per share diluted amounted to 2.91 SEK (2.04).
- Net debt amounted to 485 MSEK (355) and the adjusted leverage ratio was 0.9x.

## Comments from the CEO

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"The first quarter of 2019 started off strong for Stillfront, reporting 33% revenue growth and solid profitability with an EBIT margin of 27%. In the first quarter, our user acquisition cost, UAC was 108 MSEK or 26% in relation to net revenue. The growth in the quarter is a result of us evidencing our ability to execute highly profitable marketing campaigns. Our evolving game portfolio continue to perform well driven both by continued organic growth as well as strong contribution from acquisitions. Our newly acquired studios Imperia Online and Playa Games are contributing with high margins in the first quarter. New launches are delivering according to plan and our largest brands Empire and Big continued to grow sequentially. Looking ahead, our strategy remains unchanged – to focus on low risk and long life-cycle games. Our healthy financial position supports investments in business development and in addition, we continue to see strong opportunities for profitable growth through acquisitions."

Jörgen Larsson, CEO, Stillfront Group

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NET REVENUE

**418** MSEK

EBIT

**113** MSEK

EBIT MARGIN

**27.0**%

## Operational overview of the first quarter

Stillfront's games portfolio is continuously evolving. We divide the portfolio into four product categories; Empire, Big, Core and Other. The active portfolio, consisting of Empire, Big and Core categories is presented in the below numbers and pertains to the 31 largest games as ranked per revenue.

### Game performance

2019 Q1	Total	Empire	Big	Core
<b>Deposits (MSEK)</b>	<b>422</b>	<b>161</b>	<b>79</b>	<b>183</b>
Y-o-Y %	35%	-10%	17%	172%
Share of total, %		38%	19%	43%
<b>UAC (MSEK)</b>	<b>108</b>	<b>17</b>	<b>37</b>	<b>53</b>
Y-o-Y %	26%	-50%	4%	268%
<b>DAU ('000) (1)</b>	<b>1 411</b>	<b>318</b>	<b>342</b>	<b>751</b>
Y-o-Y %	26%	-31%	-14%	197%
<b>MAU ('000) (1)</b>	<b>5 874</b>	<b>1 337</b>	<b>1 396</b>	<b>3 141</b>
Y-o-Y %	20%	-39%	-19%	220%
<b>MPU ('000) (1)</b>	<b>205</b>	<b>67</b>	<b>51</b>	<b>87</b>
Y-o-Y %	19%	-19%	-5%	142%
<b>ARPPMU (SEK) (1)</b>	<b>680</b>	<b>801</b>	<b>516</b>	<b>684</b>
Y-o-Y %	13%	10%	23%	15%

(1) Online games only

Deposits are revenues excluding IFRS revenues recognition adjustments.

Deposits (revenues excluding IFRS revenue recognition adjustments), in the first quarter amounted to 422 MSEK. The increase of 35% is a result of a continued strong development in Core products underpinned by the newly acquired studios Imperia Online and Playa Games. Deposits for Empire brands declined by 10% compared to the first quarter last year with a UAC, user acquisition cost, of 17 MSEK. Sequentially, the deposits for Empire brands increased by 3.4%. The deposits for Big products increased by 17% in comparison to the same quarter last year with a UAC of 37 MSEK, mainly as a result of Big Farm: Mobile Harvest's maturing user base and extended content. Deposits within Core products amounted to 183 MSEK, an increase of 172% with a UAC of 53 MSEK.

During the first quarter, the total number of MAUs, monthly active users, increased by 20% and DAUs, daily active users increased by 26% compared to the first quarter last year. User acquisition cost, UAC, in the first quarter amounted to 108 MSEK, corresponding to 26% in relation to net revenue. The increase of 26% compared to the first quarter last year is due to a significantly higher UAC spend in Core products.

ARPPMU, average revenue per monthly paying user, is one of the core strengths of the Stillfront portfolio and this quarter totalled average revenue of 680 SEK, an increase of 13% compared to the same period last year.

The mobile share of revenue during the first quarter was 55% compared to 51% in the fourth quarter 2018. The increase in the proportion of mobile revenue is due to the increase in revenues from Nida Harb 3 and Big Farm: Mobile Harvest. Our releases for the quarter have focused on new content and new platforms for existing games, continuing our strong long-tail support for all of our games.

#### UAC IN RELATION TO REVENUE

26 %

#### ARPPMU

680 SEK

#### MOBILE SHARE OF REVENUE

55 %

## Financial overview of the first quarter

### Revenue and operating profit

	2019	2018		Last 12	2018
MSEK	Jan-Mar	Jan-Mar	Chg%	months	Jan-Dec
Net Revenue	418	315	33	1,428	1,325
EBITDA	154	105	48	523	473
EBITDA margin, %	37	33		37	36
EBIT	113	73	54	387	348
EBIT margin, %	27	23		27	26
Items affecting comparability	-	2	-100	-18	-16
Adjusted EBITDA*	154	106	46	538	490
Adjusted EBITDA margin*, %	37	34		38	37
Adjusted EBIT*	113	75	50	402	364
Adjusted EBIT margin*, %	27	24		28	27

\* Adjusted EBITDA and EBIT are defined as EBITDA and EBIT excluding items affecting comparability.

Net revenue in the first quarter amounted to 418 MSEK (315). The increase of 33% is a result of a strong development in mainly the Core products which include for example Shakes & Fidget, Imperia Online, Nida Harb 3 and Strike of Nations.

EBITDA amounted to 154 MSEK (105) during the first quarter, corresponding to an EBITDA-margin of 37% (33%).

EBIT amounted to 113 MSEK (73) during the first quarter, corresponding to an EBIT-margin of 27% (23%). The increase of the EBIT-margin is mainly due to the acquisitions of the highly profitable studios Imperia Online and Playa Games.

### Product development

	2019	2018	Last 12	2018
MSEK	Jan-Mar	Jan-Mar	months	Jan-Dec
Capitalization of product development	51	33	174	156
Depreciations and amortization	-35	-20	-135	-120

During the first quarter investments in product development have been capitalised by 51 MSEK (33). Investments include continued development of new games such as SIEGE: World War II and Strike of Nations as well as undisclosed titles. Further, investments also pertain to other new titles based on existing engines as well as extensions and additions to existing games.

Depreciations and amortization of -35 MSEK (-20) was charged during the first quarter, whereof 13 MSEK pertain to intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries. 22 MSEK pertain to amortizations of capitalized product development expenses.

### Financial net

The financial net was -13 MSEK for the first quarter (-6). Items in the financial net were, interest net of -8 MSEK, non-cash interest charge on earn-out considerations of -4 MSEK, fx effects and other financial items of -1 MSEK.

### Tax

The Group's tax expense for the first quarter was -31 MSEK (-22). The underlying tax rate for the first quarter was 31%, driven by a high share of pre-tax profits in Germany.

## Financing

	2019	2018
	31 Mar	31 Mar
Net debt	485	355
Cash and cash equivalents	278	145
Interest Coverage Ratio, x	6.0	56.2
Adjusted Leverage Ratio, x	0.9	1.1

Net Debt as of March 31, 2019 amounted to 485 MSEK (355 MSEK). In addition, the Group has as of the same date liabilities of 414 MSEK for contingent conditional considerations, to be settled during 2019, 2020, 2021 and 2022 of which about 58% is expected to be paid out in cash and 42% in newly issued shares. About 129 MSEK of the contingent conditional consideration is expected to be settled during 2019 of which about 77% in cash and 23% in newly issued shares.

The Interest Coverage ratio was 6x as of March 31, 2019. The Adjusted Leverage ratio was 0.9x as of March 31, 2019. Stillfront has a financial target of maximum 1.5x for the adjusted leverage ratio.

As of March 31, 2019, unutilised credit facilities amounted to 425 MSEK.

## Cash flow

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	2018 Jan-Dec
Cash flow from operations	98	60	248	210
Cash flow from investment activities	-65	33	-386	-288
Cash flow from financing activities	-4	-130	266	140
Cash flow for the period	29	-37	127	62
Cash and cash equivalents at the end of period	278	144	278	247

Cash flow from operations was 98 MSEK (60) in the first quarter. The strong revenue growth in Babil converts to cash flow at a lower degree than the entire portfolio, due to Babil's focus on mobile games, which requires more working capital. Cash flow from investment activities amounted to -65 MSEK (33). The cash flow from investment activities is primarily a result of investments in product development.

## Employees

	2019	2018
	31 Mar	31 Dec
Number of Employees	500	482

The number of employees at the end of period was 500 (482). The increase compared to the same period previous year is primarily due to the acquisitions of Imperia Online and Playa Games.

## Significant events in the first quarter

In January Stillfront announced the appointment of the Group's new CFO: Andreas Uddman. Andreas has more than 13 years of experience in finance. He has a solid track record in building strong finance functions and teams, equity raising, financing strategies and M&A in a growth environment. He is currently CFO at the Swedish fintech company Qliro Financial Services, one of the Nordic region's fastest growing fintech companies, which is under the supervision of the Swedish Financial Supervisory Authority. Andreas will assume his position June 1, 2019.

In February, Stillfront announced the appointment of Oleg Savschouk, Vice President Live Operations and member of the management team as new CEO of Goodgame Studios and Phillip Knust, Director of Products, as new CPO at Goodgame Studios.

In March, Stillfront announced that Alexis Bonte had been appointed Group COO and member of the Group's executive management team. Alexis is Co-founder and CEO of eRepublik Labs, a studio within Stillfront Group. Before co-founding eRepublik, Alexis worked for lastminute.com for six years in various management positions.

## Market

The global gaming industry is one of the largest sectors of the entertainment industry globally. Since 2012, the gaming industry has burgeoned by 54% and posted a CAGR of 9% for 2012- 2017. In 2018, the gaming industry generated revenue of around USD 138bn, rendering it the largest form of entertainment globally.

Market forecasts indicate that the gaming industry will grow at a CAGR of around 9.3% for 2017-2021. According to Newzoos segmentation, the largest and fastest growing area is mobile; including smartphones and tablets. They account for 47% of the market, with 12.8% growth YoY. The remaining market is shared by console games (PlayStation, Xbox, Nintendo) 28% and PC games, including browser games 25%.

Europe, Middle East and Africa together accounted for 22% of total global revenue with 13.2% growth YoY. North America accounted for 25% of total global revenue and grew by 14.1% YoY. Asia-Pacific accounted for 49% of total global revenue with 8.3% growth YoY.\*

Stillfront Group is well positioned to grow faster than the market in the coming years. A portfolio of games and game engines across all major platforms, with the fastest growing mobile market and strong brands and marketing skills in the free-to-play model, provide a good platform for growth. Stillfront Group is very active in the fast-growing MENA region in addition to the main markets Europe and North America.

\*Source: Newzoo, October 2018 Quarterly Update, Global Games Market Report.

## Parent Company

Customary group management functions and group wide services are provided via the parent company. The revenue for the parent during the first quarter was 8 MSEK (4). The profit before tax amounted to -14 MSEK (-6).

## Related Party Transactions

Other than customary transactions with related parties such as remuneration to key individuals, there has been no transactions with related parties.

## The Share and Shareholders

#	Owners	No of shares	Capital/ votes
1	Laureus Capital GmbH	7 190 602	29.9%
2	Handelsbanken Fonder	2 232 535	9.3%
3	Första AP-fonden	2 117 959	8.8%
4	Swedbank Robur Fonder	2 030 804	8.4%
5	SEB Fonder	862 653	3.6%
6	Carnegie Fonder	743 712	3.1%
7	Länsförsäkringar Fonder	547 567	2.3%
8	Avanza Pension	483 322	2.0%
9	Master Creating GmbH	425 913	1.8%
10	Livförsäkringsbolaget Skandia	402 853	1.7%
11	Other Shareholders	7 010 320	29.2%

The total number of shares per March 31, 2019 was 24,048,240.

Stillfront Group's shares are traded on Nasdaq First North since December 8, 2015. As of June 29, 2017, the share is traded on First North Premier. Closing price as of March 31, 2019 was 228 SEK/share.

Stillfront's 2018/2022 bond with ISIN: SE0011897925 is traded on Nasdaq OMX Stockholm.

## Accounting Policies

This interim report has been prepared in accordance with IAS34, Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with IFRS such as adopted by the EU and the relevant references to Chapter 9 of the Swedish Annual Accounts Act. The parent company's financial statements are prepared in accordance with RFR2, Accounting for Legal Entities and the Swedish Annual Accounts Act.

The financial statements are presented in SEK, which is the functional currency of the Parent Company. All amounts, unless otherwise stated, are rounded to the nearest million (MSEK). Due to rounding, numbers presented throughout these consolidated financial statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

### *Transition to IFRS 16 Leases*

Stillfront has assessed the impact of the transition to the new standard IFRS 16 Leases effective January 1, 2019. Stillfront has chosen the modified transition approach, which means that comparative information from previous periods will not be restated. The opening balance lease liability consists of the discounted remaining lease payments as of 1 January 2019. For all leases, the right-of-lease asset is an amount corresponding to the lease liability, restated for prepaid or accrued lease payments recognized in the Statement of Financial Position on the date of initial application. The transition to IFRS 16 does not have any impact on equity.

Stillfront applies the practical expedients for those leases where the underlying asset is of low value, and short-term arrangements, which also include leases signed in 2019.

Stillfront's significant leases are lease contracts on office premises, but to a limited extent, there are also other agreements such as office equipment. As a result of the implementation of IFRS 16, the Group's total assets will increase through the inclusion of right-of-use assets and lease liabilities. Lease payments, recognized as other external expenses in the Income Statement pursuant to IAS 17, will be replaced by amortization of right-of-use assets, which are recognized as an expense in operating profit or loss, and interest on the lease liability, which is recognized as a financial expense. The lease payment is allocated between amortization of the lease liability and payment of interest.

On transition to IFRS 16, the present value of all remaining lease charges has been computed using Stillfront's incremental borrowing rate. The borrowing rate has been 3.5% as of 1 January 2019.

Below is a specification on the effect of the new standard on the balance sheet and income statement as of March 31, 2019.

MSEK	Opening balance 2019-01-01
Right-of-use assets	51
Lease liabilities	51

### **Estimated Annual Profit and Loss Effect on 2019 based on transition to IFRS 16 Leases**

MSEK	
EBITDA	23
Depreciation	-22
EBIT	1
Finance net	-2
Net Result	-1

## **Risks and Uncertainty Factors**

As a global group with a wide geographic spread, Stillfront is exposed to several strategic, financial, market and operational risks. Attributable risks include for example risks relating to market conditions, regulatory risks, tax risks and risks attributable to public perception. Other strategic and financial risks are risks attributable to acquisitions, credit risks and funding risks. Operational risks are for example risks attributable to distribution channels, technical developments and intellectual property. The risks are described in more detail in the Annual Report of 2018. No significant risks are considered to have risen besides those being described in the Annual Report.

## **Audit**

This report has not been reviewed by the auditors.

# Financial reports

## Income statement in summary, Group

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	2018 Jan-Dec
<b>Revenues</b>				
Net revenue	418	315	1 428	1 325
Work performed by the company for its own use	38	31	125	118
Other revenue	2	6	19	23
<b>Operating expenses</b>				
Other external expenses	-234	-193	-779	-738
Personnel expenses	-69	-54	-251	-236
Depreciations, amortisation and write-downs	-42	-31	-136	-125
Other expenses	-1	-	-19	-19
<b>Operating result</b>	<b>113</b>	<b>73</b>	<b>387</b>	<b>348</b>
<b>Result from financial items</b>				
Net financial items	-13	-6	-90	-83
<b>Result after financial items</b>	<b>100</b>	<b>68</b>	<b>297</b>	<b>265</b>
Taxes for the period	-31	-22	-116	-107
<b>Net result for the period</b>	<b>69</b>	<b>46</b>	<b>181</b>	<b>157</b>
<b>Other comprehensive income</b>				
<b>Items that later can be reversed in profit</b>				
Foreign currency translation differences	15	2	15	2
<b>Total comprehensive income for period</b>	<b>85</b>	<b>48</b>	<b>196</b>	<b>159</b>
Net result for the period attributed to:				
Parent company shareholders	70	47	180	156
Non-controlling interest	-1	-1	1	1
<b>Period total comprehensive income</b>				
Parent company shareholders	86	49	195	157
Non-controlling interest	-1	-0	2	2
<b>Average number of shares</b>				
Undiluted	24 048 240	22 716 102	23 517 178	23 256 070
Diluted	24 176 453	22 812 905	23 668 413	23 386 780
<b>Net result per share attributable to the parent company shareholders</b>				
Undiluted, SEK/share	2.93	2.05	7.66	6.72
Diluted, SEK/share	2.91	2.04	7.61	6.68



## Balance sheet in summary, Group

MSEK	2019-03-31	2018-03-31	2018-12-31
Intangible non-current assets	2 228	1 522	2 179
Tangible non-current assets	59	10	14
Deferred tax assets	5	14	5
Current receivables	200	133	153
Cash and cash equivalents	278	145	246
<b>Total assets</b>	<b>2 771</b>	<b>1 823</b>	<b>2 598</b>
<b>Shareholders' equity</b>			
Shareholders' equity attributable to parent company's sharehold	1 165	858	1 081
Non-Controlling interest	15	19	15
<b>Total Shareholders' equity</b>	<b>1 180</b>	<b>877</b>	<b>1 096</b>
Deferred tax liabilities	100	78	102
Bond	588	497	588
Non-current liabilities	496	101	430
Current liabilities	408	269	382
<b>Total Liabilities and Shareholders' equity</b>	<b>2 771</b>	<b>1 823</b>	<b>2 598</b>

## Shareholders' equity, Group

MSEK	Share capital	Other Shareholders Contributions	Other Reserves	Other equity incl profit of the year	Equity attributed to parent share holders	Non controlling interest	Total equity
<b>Opening balance</b>							
<b>2018-01-01</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>64</b>	<b>-</b>	<b>64</b>
Net result for the period				47	47	-1	46
differences			2		2	-	2
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>47</b>	<b>49</b>	<b>-1</b>	<b>48</b>
Transactions with shareholders	16	-	1 134	-403	746	20	766
<b>Total transactions with shareholders</b>	<b>16</b>	<b>-</b>	<b>1 134</b>	<b>-403</b>	<b>746</b>	<b>20</b>	<b>766</b>
<b>Closing balance</b>							
<b>2018-03-31</b>	<b>16</b>	<b>-</b>	<b>1 136</b>	<b>-294</b>	<b>858</b>	<b>19</b>	<b>877</b>
<b>Opening balance</b>							
<b>2019-01-01</b>	<b>16</b>	<b>1 247</b>	<b>1</b>	<b>-184</b>	<b>1 081</b>	<b>15</b>	<b>1 096</b>
Net Result for the period				70	70	-1	69
differences			14		14	1	15
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>70</b>	<b>85</b>	<b>-0</b>	<b>85</b>
<b>Total transactions with shareholders</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>							
<b>2019-03-31</b>	<b>16</b>	<b>1 247</b>	<b>15</b>	<b>-113</b>	<b>1 165</b>	<b>15</b>	<b>1 180</b>

## Cash flow in summary, Group

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	2018 Jan-Dec
<b>Operations</b>				
Result after financial items	104	69	305	270
Adj for items not in cash flow etc	42	27	143	129
Tax paid	-13	-1	-108	-97
<b>Cash flow from operations before changes in working capital</b>	<b>133</b>	<b>94</b>	<b>341</b>	<b>301</b>
<b>Changes in working capital</b>				
Increase(-)/Decrease(+) in operating receivables	-44	-24	-48	-28
Increase (+)/Decrease(-) in operating liabilities	9	-9	-46	-64
<b>Cash flow from changes in working capital</b>	<b>-36</b>	<b>-34</b>	<b>-93</b>	<b>-92</b>
<b>Cash flow from operations</b>	<b>98</b>	<b>60</b>	<b>247</b>	<b>210</b>
<b>Investment activities</b>				
Acquisition of business	-	66	-190	-124
Acquisition of tangible assets	-1	-0	-4	-4
Acquisition of intangible assets	-64	-33	-192	-160
<b>Cash flow from investment activities</b>	<b>-65</b>	<b>33</b>	<b>-386</b>	<b>-288</b>
<b>Financing activities</b>				
New debt	-1	394	734	1 129
Repayment debt	3	-	-497	-500
Credit facilities	-6	-	29	35
Issue cost	-	-52	-1	-53
Warrants	-	-	1	1
Payment to shareholders (incl. dividend paid)	-	-84	-1	-85
Dividend reversed acquisition	-	-388	-0	-388
<b>Cash flow from financing activities</b>	<b>-4</b>	<b>-130</b>	<b>266</b>	<b>140</b>
<b>Cash flow for the period</b>	<b>29</b>	<b>-37</b>	<b>127</b>	<b>62</b>
<b>Cash and cash equivalents at start of period</b>	<b>247</b>	<b>176</b>	<b>144</b>	<b>176</b>
Translation differences	3	5	7	9
<b>Cash and cash equivalents at end of period</b>	<b>278</b>	<b>144</b>	<b>278</b>	<b>247</b>

## Parent company income statement, summary

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	2018 Jan-Dec
<b>Revenue</b>				
Net revenue	8	4	23	19
<b>Operating expenses</b>				
Other external expenses	-6	-2	-16	-12
Personnel expenses	-4	-2	-15	-13
<b>Operating result</b>	<b>-2</b>	<b>-1</b>	<b>-7</b>	<b>-5</b>
<b>Financial items</b>				
Financial income	1	2	1	3
Financial expenses	-13	-7	-88	-82
<b>Total financial items</b>	<b>-12</b>	<b>-5</b>	<b>-86</b>	<b>-79</b>
<b>Result after financial items</b>	<b>-14</b>	<b>-6</b>	<b>-93</b>	<b>-84</b>
<b>Profit before tax</b>	<b>-14</b>	<b>-6</b>	<b>-93</b>	<b>-84</b>
Tax for the period	2	2	-10	-10
<b>Net result for the period</b>	<b>-12</b>	<b>-4</b>	<b>-103</b>	<b>-95</b>

## Parent company balance sheet, summary

MSEK	2019-03-31	2018-03-31	2018-12-31
Intangible assets	-	-	1
Financial non-current assets	4 412	3 901	4 399
Deferred tax	2	-	-
Current receivables	30	24	35
Cash and bank	-	63	26
<b>Total assets</b>	<b>4 443</b>	<b>3 988</b>	<b>4 461</b>
Shareholders' equity	3 288	3 292	3 315
Provisions for contingency consideration	421	84	406
Non-current liabilities	96	43	
Bond	588	497	588
Current liabilities – Overdraft	29	-	35
Other current liabilities	21	72	117
<b>Total liabilities &amp; Shareholders' equity</b>	<b>4 443</b>	<b>3 988</b>	<b>4 461</b>

## Key figures, Group

	2019	2018	Last 12	2018
MSEK	Jan-Mar	Jan-Mar	months	Jan-Dec
Unadjusted revenues	431	309	1,447	1,326
Deferred revenue	-13	5	-19	-1
Net revenue	418	315	1,428	1,325
EBITDA	154	105	523	473
<i>EBITDA margin %</i>	37	33	37	36
EBIT	113	73	387	348
<i>EBIT margin %</i>	27	23	27	26
Adjusted EBITDA*	154	106	538	490
<i>Adjusted EBITDA margin*, %</i>	37	34	38	37
Adjusted EBIT*	113	75	402	364
<i>Adjusted EBIT margin*, %</i>	27	24	28	27
Profit before tax	100	68	297	265
Net result	69	46	181	157
Adjusted Interest Coverage Ratio, x	6.0	56.2	6	
Adjusted Leverage Ratio, %	0.90	1.10	1.10	
Shareholders' equity per share undiluted, SEK	48.45	36.90	48.45	44.93
Shareholders' equity per share diluted, SEK	48.20	36.71	48.15	44.71
Earnings per share undiluted, SEK	2.93	2.05	7.66	6.72
Earnings per share diluted, SEK	2.91	2.04	7.61	6.68
No of shares end of period undiluted	24,048,240	23,253,631	24,048,240	24,048,240
No of shares end of period diluted	24,176,453	23,375,557	24,199,475	24,178,949
Average no of shares period undiluted	24,048,240	22,716,102	23,517,178	23,256,070
Average no of shares period diluted	24,176,453	22,812,905	23,668,413	23,386,780

\* Excluding items affecting comparability

## Acquisitions

### Acquisition of Imperia online

The acquisition of Imperia Online was completed in October 2018. The purpose of the acquisition was to broaden Stillfront's portfolio of studios and games with characteristics that drive long term gamer relations.

Purchase price of the acquisition is as follows:

MSEK	
<b>Purchase price</b>	
Cash and cash equivalents	52
Ordinary shares issued	45
Contingent conditional considerations	134
<b>Total purchase consideration</b>	<b>231</b>

In connection with the acquisition of Imperia Online, 269,412 shares were issued at the price of SEK 167 per share. The cash component of the purchase price was financed by cash at hand by 52 MSEK. The acquisition was carried out on a debt- and cash-free basis.

The contingent conditional consideration will depend on the EBIT development of the Company based on the years 2018, 2019, 2020 and 2021. The total contingent conditional consideration cannot exceed 17.5 MEUR.

#### **Preliminary purchase price allocation**

A preliminary purchase price allocation of Imperia Online is provided below. The analysis is preliminary mainly due to the fact that the valuation and allocation of intangible assets is not completed. Finalization is expected to be completed in conjunction with the reporting of the second quarter.

<b>The fair value of acquired assets and assumed liabilities (MSEK):</b>	
Intangible non-current assets	61
Property, plant and equipment	1
Current receivables excl cash and bank	5
Cash and cash equivalents	15
Non-current liabilities	-
Deferred tax liabilities	-6
Current liabilities	-5
<b>Total net assets acquired excluding goodwill</b>	<b>71</b>
Goodwill	160
<b>Total net assets acquired</b>	<b>231</b>
Less	
Cash and cash equivalents	-15
Ordinary shares issued	-45
Contingent conditional consideration	-134
<b>Net cash outflow on acquisition of business</b>	<b>37</b>

Goodwill relating to Imperia Online represents the value of the competencies in the company regarding the ability to develop and publish long life MMORP games.

Acquisition costs amounted to 1 MSEK and was included in the income statement as other external expenses. The acquired business Imperia Online has been consolidated from October 1, 2018.

### Acquisition of Playa Games

In December 2018, Stillfront acquired of 100% of the shares in Playa Games GmbH, one of Germany's leading casual strategy game developer and publisher. The acquisition was completed December 18, 2018. The purchase price of the acquisition is as follows:

**MSEK****Purchase price**

Cash and cash equivalents	144
Ordinary shares issued	58
Contingent conditional considerations	197
<b>Total purchase consideration</b>	<b>399</b>

In connection with the acquisition of Playa Games, 425 913 shares were issued at the price of 136 SEK per share. The cash component of the purchase price was financed by cash at hand by 144 MSEK. The acquisition was carried out on a debt- and cash-free basis.

The contingent conditional consideration will depend on the EBIT development of the Company based on the years 2018, 2019 and 2020. The total contingent conditional consideration cannot exceed 25 MEUR.

***Preliminary purchase price allocation***

A preliminary purchase price allocation of Playa Games is provided below. The analysis is preliminary mainly due to the fact that the valuation and allocation of intangible assets not is completed. Finalization is expected to be completed in conjunction with the reporting of the second quarter.

**The fair value of acquired assets and assumed liabilities (MSEK):**

Intangible non-current assets	18
Property, plant and equipment	4
Current receivables excl cash and bank	11
Cash and cash equivalents	35
Non-current liabilities	-
Deferred tax liabilities	-15
Current liabilities	-33
<b>Total net assets acquired excluding goodwill</b>	<b>20</b>
Goodwill	378
<b>Total net assets acquired</b>	<b>398</b>
Less	
Cash and cash equivalents	-35
Ordinary shares issued	-58
Contingent conditional consideration	-197
Additional	
Loan payment to former owner	33
<b>Net cash outflow on acquisition of business</b>	<b>141</b>

Goodwill relating to Playa Games represents the value of the competencies in the company regarding the ability to develop and publish long life MMORP games. The acquired business Playa Games was consolidated from December 1, 2018.

# Definitions

## Key figures and alternative performance measures

### **ARPMPU**

Average non-adjusted revenue per monthly paying user.

### **Big**

Category of games based on the Big brand.

### **Core**

Category of games not belonging to the categories of Long Tail, Empire or Big

### **DAU**

Daily active unique users.

### **Deposits**

Includes all deposits from consumers excluding VAT during a given period.

### **EBITDA**

Operating profit before depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for IAC.

### **EBITDA margin**

EBITDA as a percentage of Net revenue. Adjusted EBITDA margin is EBITDA margin adjusted for IAC.

### **EBIT**

Profit before financial items and tax. Adjusted EBIT is EBIT adjusted for IAC.

### **EBIT margin**

EBIT as a percentage of Net revenue. Adjusted EBIT margin is EBIT margin adjusted for IAC.

### **Empire**

Category of games based on the Empire brand.

### **Items affecting comparability, IAC**

Significant income statement items which distort the comparison between the periods.

### **Interest Coverage Ratio**

Adjusted EBITDA divided by net financial items for the past twelve months.

### **Adjusted Leverage ratio**

Net interest-bearing debt excluding earn-out payments in relation to the last twelve months Adjusted EBITDA.

### **MAU**

Monthly active unique users.

### **MPU**

Monthly paying users.

### **Net Debt**

Interest bearing liabilities minus cash and cash equivalents. Contingent conditional consideration is not considered interest bearing in this context.

### **Shareholders' equity/share**

Shareholders' equity attributable to the parent company shareholders divided by the number of shares at the end of the period.

### **UAC**

User acquisition cost



## Reconciliation of Alternative Performance Measures

### IAC

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	2018 Jan-Dec
<b>Revenue</b>				
Revaluation of Conditional Contingent Considerations	-	4	12	16
<b>Total IAC Revenues</b>	-	4	12	16
<b>Costs</b>				
Revaluation of Conditional Contingent Considerations	-	-	-22	-22
Transaction Costs	-	-5	-6	-11
<b>Total IAC Costs</b>	-	-5	-28	-33
<b>TOTAL IAC – Period</b>	-	2	-15	-16

### Adjusted EBITDA

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	2018 Jan-Dec
Operating result	113	73	387	348
Depreciations	42	31	136	125
<b>Excluded</b>				
Items affecting comparability	-	2	15	16
<b>Adjusted EBITDA</b>	154	106	538	490

### Adjusted EBITDA, pro forma

MSEK	2019 Jan-Mar	2018 Jan-Mar
Adjusted EBITDA	538	320
<b>Including</b>		
EBITDA, latest 12 months, Acquired companies	49	45
<b>Adjusted EBITDA, pro forma</b>	587	365

### Adjusted EBIT

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	Jan-Dec 2018
Operating result	113	73	387	348
<b>Excluded</b>				
Items affecting comparability	-	2	15	16
<b>Adjusted EBIT</b>	113	75	402	364

### Adjusted interest coverage ratio

MSEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	Jan-Dec 2018
Adjusted EBITDA latest 12 months	538	320	538	490
<b>Divided by</b>				
- Net financial items latest 12 months	90	6	90	83
<b>Adjusted interest coverage ratio, x</b>	6.0	56.2	6.0	5.9

### Adjusted interest coverage ratio, pro forma

	2019	2018
MSEK	Jan-Mar	Jan-Mar
Proforma Adjusted EBITDA latest 12 months	587	365
<i>Divided by</i>		
- Net financial items latest 12 months	90	6
<b>Adjusted interest coverage ratio, x, pro forma</b>	<b>6.5</b>	<b>60.8</b>

### Adjusted leverage ratio

	2019	2018	Last 12 months	Jan-Dec
MSEK	Jan-Mar	Jan-Mar	months	2018
Bond	588	500	588	588
Other interest-bearing liabilities	175	-	175	179
Cash and cash equivalents	-278	-145	-278	-246
<b>Total net debt</b>	<b>485</b>	<b>355</b>	<b>485</b>	<b>521</b>
<i>Divided by</i>				
Adjusted EBITDA	538	320	538	490
<b>Adjusted leverage ratio</b>	<b>0.90</b>	<b>1.11</b>	<b>0.90</b>	<b>1.06</b>

### Adjusted leverage ratio, pro forma

	2019	2018
MSEK	Jan-Mar	Jan-Mar
Bond	588	500
Other interest-bearing liabilities	175	-
Cash and cash equivalents	-278	-145
<b>Total net debt</b>	<b>485</b>	<b>355</b>
<i>Divided by</i>		
Adjusted EBITDA, pro forma	587	365
<b>Adjusted leverage ratio, pro forma</b>	<b>0.83</b>	<b>0.97</b>

### Shareholders' equity per share undiluted, SEK

	2019	2018	Last 12 months	Jan-Dec
SEK	Jan-Mar	Jan-Mar	months	2018
Shareholders' equity attributable to parent company's shareholders	1 165	858	1 165	1 081
<i>Divided by</i>				
No of shares end of period undiluted	24 048 240	23 253 631	24 048 240	24 048 240
<b>Shareholders' equity per share undiluted, SEK</b>	<b>48.45</b>	<b>36.90</b>	<b>48.45</b>	<b>44.93</b>

### Shareholders' equity per share diluted, SEK

	2019	2018	Last 12 months	Jan-Dec
SEK	Jan-Mar	Jan-Mar	months	2018
Shareholders' equity attributable to parent company's shareholders	1 165	858	1 165	1 081
<i>Divided by</i>				
No of shares end of period diluted	24 176 453	23 375 557	24 199 475	24 178 949
<b>Shareholders' equity per share diluted, SEK</b>	<b>48.20</b>	<b>36.71</b>	<b>48.15</b>	<b>44.71</b>

**Earnings per share undiluted, SEK**

SEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	Jan-Dec 2018
shareholders, MSEK	70	47	180	156
<i>Divided by</i>				
Average no of shares period undiluted	24 048 240	22 716 102	23 517 178	23 256 070
<b>Earnings per share undiluted, SEK</b>	<b>2.93</b>	<b>2.05</b>	<b>7.66</b>	<b>6.72</b>

**Earnings per share diluted, SEK**

SEK	2019 Jan-Mar	2018 Jan-Mar	Last 12 months	Jan-Dec 2018
shareholders, MSEK	70	47	180	156
<i>Divided by</i>				
Average no of shares period diluted	24 176 453	22 812 905	23 668 413	23 386 780
<b>Earnings per share diluted, SEK</b>	<b>2.91</b>	<b>2.04</b>	<b>7.61</b>	<b>6.68</b>

# Financial calendar

Annual General Meeting	9 May 2019
Interim Report January-June 2019	15 August 2019
Interim Report January-September 2019	8 November 2019
Year End Report 2019	21 February 2020

The 2019 Annual General Meeting of Stillfront will be held on Thursday, May 9, 2019 at 16.00 CEST at the offices of DLA Piper, Kungsgatan 9, Stockholm.

*This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on May 8, 2019 at 07.00 CEST.*

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## For further information, please contact:

Jörgen Larsson, CEO	Sten Wranne, CFO
Tel: 070-32118 00, <a href="mailto:jorgen@stillfront.com">jorgen@stillfront.com</a>	Tel: 0705-851258, <a href="mailto:sten@stillfront.com">sten@stillfront.com</a>

*This interim report is a non-official translation from Swedish of the Delårsrapport issued May 8, 2019. In the event of discrepancies between the language versions the Swedish wording will prevail.*

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## About Stillfront

Stillfront is a global group of gaming studios and a market leader in the free-to-play online strategy games genre. Our diverse and exciting games portfolio has two common themes; loyal users and long lifecycle games. Organic growth and carefully selected and executed acquisitions embody our growth strategy and our 500 co-workers thrive in an organisation that engenders the spirit of entrepreneurship. Our main markets are the US, Germany, MENA, France and UK. We are headquartered in Stockholm, Sweden and the company is listed on Nasdaq First North Premier.

For further information, please visit: [stillfront.com](http://stillfront.com)

### Certified Adviser:

FNCA, Phone: +46 8 528 00 399 E-mail: [info@fnca.se](mailto:info@fnca.se)

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