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Stillfront Group AB (SF.SE)

Q1 2022 Earnings Call

CORPORATE PARTICIPANTS

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

OTHER PARTICIPANTS

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Jesper Birch-Jensen

Analyst, ABG Sundal Collier AB

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Simon Jonsson

Analyst, ABG Sundal Collier AB

MANAGEMENT DISCUSSION SECTION

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

Good morning, everyone, and welcome to Stillfront's Q1 2022 Presentation. I will be presenting today, together with my colleague, Andreas, CFO, and we will open with a short presentation and then open up for Q&A.

Next slide, please. So, this is Stillfront as of Q1 2022. We have 69 million unique players playing our games, which is a 5 million increase since the last quarter and that is a significant increase, which we are, of course, happy with. We have 73 games in our games portfolio, which is an increase by 9 games, and we are currently, or by the year, we were 1,560 professionals across 22 studios and in – at offices marked as red dots in this slide on the right-hand side.

You can also see how our revenues were distributed in Q1 on the right-hand side, with 46% in North America, 28% in Europe, and increasing significantly in Asia with now 21% across Asia, which is something that we have strived for, for quite some time.

Going to next slide, please. So, one of the most important things in the quarter is how we have expanded our portfolio. We are a much larger group and a much more diversified portfolio than we have been ever before. And that is important because for the obvious reasons that we increased the number of games, and we are happy to see that we increased with nine titles during the quarter, four coming from the acquisition of 6waves, but also four coming from organic development from our existing studios.

And that means that for the – since Q3 last year, we have 11 games coming out organically, which is, of course, adding to our trust in reaching a positive organic growth for the full-year. So, that is very important and very

satisfactory, and I think that the outcome of the soft launches that we have entered is as we hoped for and expected or slightly better.

6waves adds four titles into our portfolio, and these are titles that are strong, very stable, and well-established strategy games, which is something we have strived for, and they do that in a market that is very important for us and that we open up through the acquisition of 6waves, and that is the Japanese mobile market, being the second largest in the world, which is, of course, very exciting. And also exciting with 6waves is that they have not less than five games, more than their existing portfolio, coming into a soft launch during this year.

We also have worked very hard with what we call engine share. Engine share is when we can take a successful existing game and launch more games on that very engine, meaning that we can achieve 50% to 80% reuse of the existing investments to get out new games, which is obviously increasing our ROI on our portfolio performance, and lowers the risk and increase the capital efficiency when it comes to product development.

And, during the quarter, we had AI General launched based upon the Bytro engine, and that is, of course, very – something that we have worked systematically with and that we are satisfied to see. We can also – related to that because it's built on the Bytro grand strategy engine – see how that has been a success for us increasingly over the last three, four years, progressively successful, I would say. So, the grand strategy engine of Bytro has really been successful for us also in Q1.

So now, we have five different titles delivered from three different studios showing very clearly and very tangible how we create synergies. That's one example of synergies in our business. Also, we're pleased to see that Super Free are continuing their growth path from October last year. So, they also added in this quarter in Q1 a new game just as they did in Q4. So, that is also going in the right direction.

Next slide, please. So looking into our financials, our net revenue grew by 37 – 27%, driven both, of course, by the acquisitions, as well as that most of our studio has had strong organic growth. But we have some offsets from that, Super Free being organic from the 1st of February as the main deviator from that.

So, we do record, as expected, a negative organic growth of 6.4% when it comes to bookings and 6.8% when it comes to net revenues. We continue to deliver this growth with the high margin – consistently high margins, despite that we have a record-high UA spend. And that shows that we are really leveraging our marketing capabilities across the group, the market reach that we have built both in terms of geography, in terms of number of games that we are marketing, and the number of different channels that we master.

So, I'm very pleased to see that we can, without compromising on profitability. So, we spent some 30% – sorry – 28% in relation to net revenues in the quarter which is actually identical with Q1 last year. Usually, the first quarter is very good for marketing. So, our organic growth guidance for the full-year is intact, mid-single-digit for the full-year. We are confident to reach that based upon the both new products, but not least the marketing that I mentioned.

I would also like to highlight that you can see that we – there's a very clear correlation between how much we spend in UA and what kind of adjusted EBIT margin that we have. You could see that clearly on the left side of showing each quarter. There is a difference Q1 2021 that could be mentioned, just commenting briefly on during that quarter – since that quarter, as we have increased the pace of investments, of course, D&A also are increased.

So, if you look at the EBITDA margin, it's more or less the same in Q1 2022 compared to Q1 2021. It's 38% and 37%, respectively. Then, of course, since we did record the expected negative organic growth, the scale – the nature – the natural scale of our business then have a slightly negative effect when it comes to comparing with Q1 last year. But otherwise, if you take away that very special quarter, you can see that it correlates very well.

I would also like to mention that you can see that it correlates very well also looking at LTM numbers. You see that both in Q1 2021 and Q2 2021, it's heavily skewed still by the pandemic effect and the very significant uplift that we saw in 2020. So, that is still explaining why we skyrocketed our margins. But since then, you can see a more steady development and the relationship between UA and margins being developing nicely, and as expected.

Next slide, please. So, looking at the active portfolio, we have a stronger portfolio than ever in several different dimensions. So, it's more balanced than ever and it's more diversified than ever. And you can see on the lower right side, how the distribution in our portfolio looks like, and I'm very pleased to see that we have improved the balance significantly with strategy increasing. But also in terms of geography with, as mentioned, Japan now being a significant market. And not only that, we're increasing in the MENA region, we're increasing in the Indian subcontinent, it's very pleasing to see. So, it's a good balance between the three main territories for us, North America, Asia and Europe.

You can see also how the number of users playing our games is increasing organically across the whole portfolio quarter-over-quarter, and we have, in particular, a very strong UA performance from the strategy games, which is very pleasing, since strategy games are slowly moving. So, it's harder to build that organic growth in short-term, but you get paid over longer time, return – yielding over longer time, which is adding to our confidence of reaching organic growth for the full year.

Actually growing the number of user by 5 million or equal to 8% in one quarter, where of 98% of that growth is organic, is something that we are very pleased to see. We can see also that the share of mobile increased to 78%, which is driven both by, of course, the organic and the natural strong performance by our mobile strategy games. But also, of course, adding 6waves titles that are mobile. The ad bookings were, in relative terms, down to 70% from 2019, but in absolute terms it is on par with the previous quarter.

Next slide, please. So, briefly looking at the different areas. I will not walk through all of the numbers here, but I think there are some things to emphasize and of course, again, strategy bookings up 59% quarter-on-quarter, driven by the strong organic growth in strategy.

And hence, we have allocated more UA with very good returns and that is satisfactory to see as we are one year – less than one year from the IDFA change where the outlook where that – for strategy games that will be tougher. We can definitely see that it is a little tougher. We do it with high and good returns in strategy throughout the quarter.

Casual & Mash-up grew slightly quarter-on-quarter organically, but declined year-over-year because we basically allocated UA less to that area. Simulation, RPG bookings slightly down quarter-on-quarter, again, due to the fact that we allocate less UA because it yields less. And again, we see significant, as said, organic increase in DAU and MAU in Strategy in particular both quarter-over-quarter and year-over-year. So you can say that strategy strikes back this quarter.

So next slide and I will, with next slide, hand over to Andreas.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

Thank you, Jörgen. Good morning, everyone. So, that's the right slide. Looking at the cash flow developments, we continue with a very strong cash flow development from operations of SEK 523 million. That includes tax paid of negative SEK 60 million and also a small positive working capital impact in the quarter. We continue to invest in 6waves, naturally, the big outflow of cash in the quarter. But we also did invest SEK 253 million or 15% of revenues in our product development. We have a strong pipeline. It is both historically that has come into soft launch, but we also have a strong pipeline going forward. So, we are very pleased to be able to deploy that, but still have such a strong underlying operative cash flow.

And in terms of financing for the quarter, based on the rights issue, we had a positive inflow there of – on net effect SEK 1.9 billion. And that, of course, strengthens our ability to execute on our strategy going forward as well. But looking at cash flow developments, as we normally do, we always look at the 12 months. I think this is where the strength – one of the key strengths in our underlying business is that we have a – we generate a cash flow from operations of over SEK 1.8 billion, which is an increase by SEK 546 million from the same period last year or 42%.

We continue or have continued to deploy and increase investments in our product portfolio. We invested in the last 12 months SEK 732 million in new products or 12.6% in terms of net revenues. This is key for us and to be able to have a strong underlying cash flow, to be able to deploy that in both UA but also in terms of deploy that in new products. So in the last year, we have generated SEK 1.1 billion of free cash flow whilst increasing our investment base. And this leads to a cash conversion through the last 12 months of 0.52.

So, now I'd move to next slide, please. We have a strong cash – financial position. The leverage is, as expected, well below our targets of now at the quarter-end at 1.2 times. We have a net debt position of just over SEK 3 billion and a cash position of SEK 1.7 billion in – by the end of the quarter. We continue to have and have had a diversified financing platform with a good maturity profile, and this makes the ability to execute on the – on our strategy that we are well-positioned for that.

So just to summarize, Jörgen talked about the 73 games we have. Of course, this adds additional diversification in our cash flow generation. And we also have a stronger diversity or better diversity both from a product perspective, but also from a geographically – geographic perspective by exiting the quarter. We still have – we still continue to invest strongly in our product portfolio, and this is built up by the strong underlying cash flow we have in this business.

So with that, I would hand back to Jörgen.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

Thank you, Andreas. So, I would like on next slide just to summarize. So, we are well-positioned for a return to sustainable organic growth, sustainable in several meaning – in two meanings, both sustainable because we have done efforts.

And we are doing a lot of efforts in our sustainability work with setting up new targets, ambitious targets for this year and for the further years to come. So, we have, in the Annual Report and the Sustainability Report that we released recently, you can see more details on that. But we have taken significant steps and integrated that in our business processes. So, I think we are definitely taking steps there.

But also growing sustainable and returning to sustainable growth in terms of our top line. We have been there for a decade, but being in the shadow of the pandemic, and with a few other challenges the last quarters, we are rapidly getting into that and we do that by the new products coming out to the market, continue to invest, and we aim on releasing 30 games or get it 30 games into soft launch this year. So, 15 in the first half year as disclosed earlier, but also additional 15 games the second half of this year.

So, also looking into the fact that we have been growing organically from Q3 to Q4 and from Q4 to Q1 also adds to our optimism and I believe to reiterate our financial target of reaching a mid-single-digit organic growth for the full year. And not the least, we will get help from Stillops platform that is creating a lot of both cost side, but even more importantly revenue side synergies and also product develop synergies with the engine share that I mentioned previously.

So, Stillfront is in a good shape on its way back to reported organic growth. Thank you very much, and we will now turn back to – or turn to the Q&A session. So, please, operator, let's see if we have questions lined up.

QUESTION AND ANSWER SECTION

Operator: Thank you so much, sir. [Operator Instructions] The first question of the day we have from Nick Dempsey from Barclays. Nick, your line is unmuted, please go ahead.

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Q

Hi, yes, good morning, guys. So, I've got three questions. First one, in Q2, I know you're not giving us guidance for organic growth for that quarter but, is it fair to say that the moving parts are Super Free, still a tough comp in April and maybe a bit of May, but then it hit with an easier comparison? Then you've got your new games that you're flagging and perhaps some underlying momentum from some other games. But can you just maybe flesh out, like give you a bit more color on the different elements of what's going to help us understand where the Q2 will be a positive growth quarter or not?

Question number two, you flagged in the statement that you expect for the current high level of investment, as you phrased it, to continue through 2022. Is that an indication we shouldn't get too excited about an adjusted EBIT margin for the full year, any higher than the 30% we've just seen in Q1?

And the third question, do you have a pipeline of further acquisitions that you're currently working on or are you going to pause your M&A momentum for a while and focus on executing on the portfolio and stuff?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Thank you, Nick. So on the first question we don't give a guidance for Q2. We reiterate the full year. So, of course, it's something what we believe on Q2. But you're perfectly right in the fact that Super Free had – actually Super Free grew full year 2021 over top line and especially on EBITDA full year 2021 over full year 2020, but it was a very uneven development during the year. So, just as you point out, sometime during Q2, we think that Super Free will contribute and the team is making a great job in getting there with existing products and the new ones that they have released. So, we accept – expect them to contribute to organic growth.

But we have so many different growth levers, existing products, as well as new products that have gained the momentum. 11 new products coming out since Q3 last year adds to – of course, adds to the picture in Q2. But the most important thing is that we deliver on our targets for the full year mid-single-digit. So, that's my comment on Q2, isolated, we don't give a firm guidance.

Let's see. The second question was about the investments. Yes, we continue to do investments. We increased the pace of investments in new products. That's approximately two years ago. So, that is what we now can see the fruits from these efforts. And I think we have improved our capabilities to do that with – without increasing the investment as much as we have increased the output because we are working with revenue shares and other refined methods of development. So, I'm very pleased with that. And the products are more complex and sophisticated than it was two years ago, so I'm pleased with that development.

I do expect that we will keep the absolute number of new products coming out to the market approximately on the same level. Second half 2015 that is as we had last half of last year and we have this first half of this year and second half of this year. I expect approximately it will be the same in 2023, that level, in absolute terms, but obviously in relative terms that will be a lower number. What that drives in terms of margin, I shouldn't – I don't think you should draw too many conclusions on that. But, of course, there is some effect if we have a very good traction with a more than usual a hit ratio of games that will, in the short term lower the margins as we launch these and scale these games.

But I don't expect that there will be a significant impact on the margins in the short term or during this year. When it comes to M&A and pipeline, yes, we have a significant pipeline that is unchanged. Obviously, the market conditions are, not the least our own valuation, is a bit challenging for making acquisitions, but it's also important to note that the raise, the capital raise that we did and, as Andreas pointed out, we are at a leverage ratio or 1.2 times. And also, the fact that we are delivering some SEK 100 million per month in cash flow after product investments on that – to these high levels, of course, also give us firepower.

So, we do have an opportunity to do approximately just to give a flavor on this. We could potentially do two acquisitions of a similar size as 6waves without raising any more equity. So, then, of course, we must take into consideration tactically market conditions, prices, our own price, and target prices, and things like that and financing. I hope that answer your question.

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Q

That's very good. Thank you.

Operator: And next we have Oscar Erixon from Carnegie. Your line is unmuted. Please go ahead.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Thank you and good morning, Jörgen and Andreas. A couple of questions for me. Starting with the very strong performance in the Strategy segments, is it mainly Bytro performing very strongly here in Q1 and especially in March? And what is the [indiscernible] (00:24:01) in the Strategy segment, given quite high use acquisition investments in Q1, and good stickiness in the segments? How does that affect the growth outlook here in 2022?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Yeah. You're perfectly right that there is a different dynamic with strategy games. I mean, we have our legacy and background in strategy games. And the good thing with strategy games is that when you have acquired users that gets into the game, they tend to stick around for several, many years, even decades. So, of course, that should be taken into account when you analyze and look at our numbers. The value when you are successful and organically growing your user base of strategy players that has a higher value than in other areas, in the sense that they will be around for a long time on average.

So, that's, of course, adding to our confidence in reiterating the full year target. They will be around and delivering for not only the coming quarters, but for many years to come. So, we are very, very pleased with that. So, I think that – sorry – and it's not only one or two games or only the Bytro games delivering. And then on the Bytro engines, there is five games, but we have a wider portfolio, both of organic titles, so to speak, but also with five titles coming out and being – coming into soft launch from 6waves, but also other strategy games.

So, I think we have a wide array of strategy games, many of them contributing. But obviously, the grand strategy part of our portfolio stands out with the growth the last not only quarter or quarters, but actually for the last three or four years. It has been a very strong development.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Excellent. Thank you, Jörgen. And then a question on full-year margins. We're obviously seen peers here in the quarter with quite low full-year margin guidance suggesting more expensive growth perhaps. Do you see anything similar to that? Do you have any sort of comment on news flow regarding negative market growth in Q1 for the in-app purchases part of the market?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

We haven't seen so much of that, honestly. So, as we can see from the level of users that we have acquired, I mean, we grow our user base – our active user base, by 8% where [ph] 9% to 8% (00:26:43) is organic in Q1, and the whole business is growing organically, sequentially Q1 to Q4 as well as it did from Q4 to Q3. So, we don't see many effects of that and the spending levels are very intact, I would say. So, a very – in our view, a very normal Q1, you can see also that the UA level were actually identical, more or less, in relative terms as Q1 last year. So, we haven't seen any significant impact from that. No.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Great. Very clear. And then final question from me. You write about being well within sort of your marketing return thresholds in Q1. Has that continued into April? And then a follow on question for that is, or is it Q1 turns to be seasonally strong quarter in terms of marketing spend, what type of seasonality should we expect here this year? Thank you.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Yeah. We don't give a forecast for Q2, which is clearly in the report. But we have a number of products coming out still in soft launch during the second quarter. We do have good traction. So, the momentum that we have built for now a couple of quarters, I hope and think will continue during Q2, both from existing products as well as from new products. Then of course, it's always very, very hard to say, usually it slows down, as always it has been the case during the summer for very natural reasons, considering that our audience have usually family and daytime

jobs, they go on vacation and all of this. So, sometimes during summer it will be slower on the UA side and on top line and then the margins usually go up.

But whether that starts in the 10th of June or the 20th of June or the 4th of July, it's impossible to say. But we – I think having said that, you – I hope and think that we will have high UA spend higher than we have had maybe last year in relative terms in Q2 because we have a very interesting number of products coming out and the ones that already have passed the threshold, we expect that we can scale further. So, that is my comment on that question.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Excellent. Thank you very much, Jörgen.

Operator: We have Jesper Birch-Jensen from SEB. Jesper, your line is unmuted. Please go ahead.

Jesper Birch-Jensen

Analyst, ABG Sundal Collier AB

Q

Morning, and thank you for taking my question. Just first on a more industry-wide question, I mean, we've seen several entertainment peers kind of flagging for a normalizing demand, both for video entertainment, but also from some of your peers within the mobile game sector, and I was wondering if this is something that you've experienced so far or lately? Thank you.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

We haven't seen that. As mentioned several times, we see a significant growth, and we do enjoy that growth in the most difficult area to grow, which is in terms of that, it's usually growing slower and that's the strategy. The good thing with that is that, as I said and elaborated on, they will be there for a longer time on average, high retention is typical for strategy. So, that's why we are very pleased to see that strategy is so strong.

We haven't seen any significant effects. I mean, growing our user base from 64 million to 69 million during Q1 also is a clear indicator and the spending levels are very much intact. So, I think, we don't see that effect very much.

Jesper Birch-Jensen

Analyst, ABG Sundal Collier AB

Q

Thank you. And a third question on your user acquisition spending, maybe I'm not understanding this right. But in terms of the Casual & Mash-up segment, you mentioned that it grew quarter-over-quarter organically and declined slightly year-over-year, with a lower UA allocation, but it kind of seems like the UA allocation for that segment is up both from last quarter and year-over-year. Maybe I'm not reading it right, but any clarification there would be helpful.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

We allocate our UA according to how it yields. So – and the yield has been on – not as strong as in strategy and hence, we have lowered the UA spend in relative terms. So – and I think I don't have the exact number in front of me now, but if we look at how we have allocated, we are lowering that allocation compared to other product

areas. And that is what I think is the important thing. But still Casual & Mash-up are stabilizing. Super Free, which was an isolated issue, has been growing since October. We expect that Super Free will be into contributing with positive organic growth during the second quarter without spending – overspending in UA, meaning that we're not reaching our harsh return on ad spend requirements. So, 180 days net.

Jesper Birch-Jensen

Analyst, ABG Sundal Collier AB

Q

Okay. Got you. Thank you. And just lastly...

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

I think we lost you.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

A

Hello?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Operator, are we still there?

Operator: And our next question comes from the line of Rasmus Engberg from Handelsbanken. Please go ahead.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Q

Yes, hi.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

We can hear you, please. Now, we cannot hear for now.

Operator: And it seems like he has exit the queue. So, our next is coming from Nick Dempsey from Barclays. Please go ahead.

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Q

Can you hear me?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

Yes. We can hear you.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

A

Yeah.

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Q

All right. I just want to squeeze another one in, please. Can you tell us whether year-on-year organic growth in Q1 would have been positive if you excluded Super Free?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

I mean, we have decided not to go out with each of our studios. I think that will be a very tough job for you and others if we go studio by studio. But as you clearly have heard us talking about for quite some time, Super Free is the main contributor to that we're not in positive territory. So, that is my comment on that. But we have – operationally, we have solved the problem and the team has made a great job both with existing and new products and has been growing since October. So – and as I said, we expect them to be contributing organically sometime here under Q2. So, that's my comment to that. Then, you will have individual studios going up and down. So, that's why it's not – I don't think this is exceptionally Super Free. But otherwise, we optimize only complete portfolio of studios and games to get the best deal, both when it comes to allocating marketing capital but also developing products. And that is why we are so keen on looking at the full portfolio rather than individual studios or products.

Nick Dempsey

Analyst, Barclays Capital Securities Ltd.

Q

Understood. Thanks.

Operator: [indiscernible] (00:36:23) Rasmus Engberg from Handelsbanken. Your line is unmuted. Please go ahead.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Q

Yeah. Hi. Second try here to get my question in. I just wondered, you invested about SEK 0.25 billion in product development in Q1. Is that a level going forward? Is it a peak or is it a level you're growing from, you think, in your sort of best guess for the full-year?

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

A

Okay. No. I mean, I think it's a few things. First of all, we have a very strong operative cash flow. So, we do want to deploy at a high level, as we talked about. We have significant products coming on into soft launch. We have added products into the active portfolio, and we have a strong pipeline.

So, we would hope so. Then there are always timing effects between quarters, as we've seen historically as well. But we have had, as Jörgen mentioned, and – an idea of continuing to strengthen our investments in product development. But there are, of course, in terms of the relation to the net revenues, that differs over a quarter-on-quarter but we do have a strong underlying and financial performance today that is able to support that. But we don't guide exactly on what the level will be, but we have said that we have an ambition to continue to keep that level – at a higher pace than we might have done a few years ago.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

And also, to be – we guide on the number of products, so that might be a clear indicator. So, we expect to release 15 products during the second half of this year, and I expect that level to be relevant for 2023. But, in relative terms, of course, as we are a growing company and as we grow our portfolio, that is less.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Q

Yeah. Clear. And the second question, I was just wondering and I'm a bit curious to look at your balance sheet, you got SEK 1.7 billion of cash sitting there, and then you still have bank loans. Is that just a temporary thing or are you going to keep that until you do acquisitions or how should we think about that in relation just to the financial net and how – I'm trying to figure out how close you are to making acquisitions as well, of course.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

A

Yeah. I mean – yeah, but it's a timing effect. And, in terms of the temporary timing...

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Q

Okay.

Andreas Uddman

Chief Financial Officer, Stillfront Group AB

A

...effect, how much cash we held because it's when certain loans or parts of the loans mature, and you can choose not to pay a rate fee. So, it's – we're talking about weeks' differences to the quarter-end and...

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Q

All right. That's perfect. Very clear. And just coming back to the investment in the products, where – in which areas – I know that you've talked a lot about strategy today, but could you sort of give a feel for your various segments where you're investing the most at the moment?

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

A

That's a good question. I think that we – or I think, I know, that we have a good balance between the three different areas in organic type is being developed. Then, of course, we – which is not yet counted as organic, but still is organic in the wider sense, and that is 6waves. And they have five products coming out in the Strategy area, which is, of course, the high in relation to the existing number of products 4 that they have in the market. So, that adds to the strategy bucket. But we have several promising products in all areas.

So, I expect that we will continue because that is important for many reasons to – we held a good balance between the three different product areas. So, I'm very pleased that we have strengthened Strategy of both through the acquisition but also organically and we strive to keep that balance.

Rasmus Engberg

Analyst, Svenska Handelsbanken AB

Very clear. Thank you.

Q

Operator: [indiscernible] (00:40:32) from Jesper again from SEB. Your lines are muted.

Jesper Birch-Jensen

Analyst, ABG Sundal Collier AB

Hi. I'm sorry. Maybe that was my mic cutting out. But I just want to – as a follow-up. You mentioned that you expect Super Free to return organic growth in Q2. And I was just wondering if there's any other segments which has been perhaps suffering from negative organic growth lately, which you suspect will return to positive organic growth in Q2? Thank you.

Q

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

I think that it's very much product depending and what new and existing products that yields the best in marketing. But we don't have any – I mean, this was an exceptional isolated issue with the Super Free. But again, Super Free did grow the top line full-year 2021 compared with 2020 and EBITDA were much higher margin than we expected. So, it's a healthy company, but it didn't grow on the levels that they started to grow. So, that's why we have this strange comparison for the first three months, which then, of course, turns into much easier comps. But in general terms, we don't have any – as I said just recently, we expect to release new products and we have new products in all areas coming out with promising KPIs.

A

So, I expect that we will be able to grow all areas for the rest of the year, and there is no isolated issue in a similar way or – and also coming out of the pandemic, the shadow of the pandemic comps is, of course, also good for the reported organic growth. So, evenly spread and both in investment and in returns is what we expect.

Jesper Birch-Jensen

Analyst, ABG Sundal Collier AB

Okay. Thank you. That's all for me.

Q

Operator: Simon Jonsson from ABG. Your line is on unmuted, Simon. Please go ahead.

Simon Jonsson

Analyst, ABG Sundal Collier AB

Hi, Jörgen and Andreas. I was wondering if you could give any color on the differences in organic growth between ad bookings and in-app purchases here in Q1. Thank you.

Q

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

Yeah. We stated that ad bookings is lower, 2 percentage points lower in relative terms, but flat in absolute terms. That means that the organic growth basically and mainly comes from in-app purchases.

A

Simon Jonsson

Analyst, ABG Sundal Collier AB

Q

All right. Thank you.

Operator: There are no other questions from audio. So, I would like to hand over the floor back to speakers. Thank you.

Hans Jörgen Larsson

Chief Executive Officer, Stillfront Group AB

So, thank you, everyone, for dialing in and listening to our Q1 2022 Stillfront report. And thank you also for the questions put forward. And I think we thereby close this meeting. Thank you, everyone, and have a great day.

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