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Pressrelease

Stockholm 2019-06-03



Stillfront Group acquires KIXEYE, Inc. and secures new debt financing

Stillfront Group AB (publ) ("Stillfront") has today entered into an agreement with the owners of KIXEYE, Inc. a leading developer and publisher of online strategy games headquartered in Canada, to acquire 100 percent of the shares in KIXEYE ("KIXEYE" or the "Company") for an upfront 100% cash consideration of USD 90 million on a cash and debt free basis (the "Transaction"). The sellers will also be entitled to a cash earn-out consideration if certain EBITDA levels for the financial year 2019 are achieved, which is subject to a cap of USD 30 million. KIXEYE is a leading developer and publisher of massively multiplayer online real-time strategy games (MMORTS) for PC and mobile devices with four live games and approximately USD 850 million lifetime bookings. KIXEYE has offices in Canada, US, Vietnam and Australia. As part of the Transaction, the assets pertaining to the development of the massively multiplayer online game (MMO) product, Kingdom Maker, will be divested to Global Worldwide prior to completion. In order to finance the Transaction, Stillfront has obtained a bridge loan facility from Swedbank AB (publ) ("Swedbank"). During the coming twelve months, Stillfront aims to repay the bridge and further strengthen the group's future financial flexibility in line with the group's communicated financial targets. This will be done through a combination of raising new equity, through a directed issue and/or a rights issue and through raising new debt. The planned financing from new equity will be in area of SEK 500 million. In the event of a rights issue, 70% has been secured through guarantees provided by Swedbank. The planned financing from new debt will be a combination of bond and bank financing.

The transaction in brief

- The total upfront consideration payable upon completion of acquisition of 100 percent of the shares in KIXEYE is payable in cash and amounts to USD 90 million on a cash and debt free basis
- The sellers will also be entitled to a cash earn-out consideration if certain EBITDA levels for the financial year 2019 are achieved. The earn-out consideration is subject to a cap of USD 30 million
- KIXEYE has a preliminary unaudited IFRS converted pro forma net revenue and EBITDA for the period Q1 2019 of SEK 128 million and SEK 65 million respectively where the Kingdom Maker operations have been eliminated
- Stillfront considers that the total consideration, including the potential earn-out, if payable, will result in a very attractive earnings multiple for Stillfront
- The Transaction is in line with Stillfront's communicated strategy to actively identify, evaluate and acquire attractive mobile and browser-based gaming companies in the strategy genre
- Stillfront's wide portfolio of successful games and KIXEYE's four live blockbuster IPs provide for compelling complementary portfolios
- In order to finance the Transaction, Stillfront has obtained a bridge loan facility from Swedbank. During the coming twelve months, Stillfront aims to repay the bridge and further strengthen the group's future financial flexibility in line with Stillfront's communicated financial targets. This will be done through a combination of raising new equity, through a directed issue and/or a rights issue and through raising new debt. The planned financing from new equity will be in area of SEK 500 million. In the event of a rights issue, 70% has been secured through guarantees provided by Swedbank. The planned financing from new debt will be a combination of bond and bank financing.
- Completion of the Transaction is envisaged to occur no later than 1 July 2019

"KIXEYE fits perfectly into Stillfront's growth strategy by broadening our portfolio of studios and games with characteristics that drive long term gamer relations. KIXEYE games portfolio of four strong IP's and a well-known brand is a very good contribution to our existing game portfolio and increases the potential for synergies within the Group. KIXEYE are pioneers in free-to-play gaming and has a very strong track record in developing blockbuster IP's. It is with pleasure I today welcome Clayton Stark, Head of Studio and the whole team to Stillfront", says Jörgen Larsson, CEO, Stillfront.

"We are very excited about the merger with Stillfront. Combining portfolios and leveraging our knowledge in live ops execution and innovative monetisation will be a great formula for success. We are very much looking forward to become part of the Stillfront family", says Clayton Stark, Head of Studio, KIXEYE.

BACKGROUND AND REASONS

Stillfront is a global group of gaming studios and a market leader in the free-to-play online strategy games genre. Stillfront's diverse games portfolio has two common themes; loyal users and long lifecycle games. Organic growth and carefully selected and executed acquisitions embody Stillfront's growth strategy. A core element within Stillfront's business model is to actively identify, evaluate and acquire interesting gaming companies active in the mobile and browser strategy genre. Stillfront has during the last nine years evaluated more than 1,200 targets and closed only 11 acquisitions that have fulfilled Stillfront's criteria.

KIXEYE was founded in 2009 by Will Harbin, Paul Preece and Dave Scott and includes four core stable and profitable titles and is being managed by Head of Studio Clayton Stark. KIXEYE is currently owned by a number of venture capital investors, the founders and a number of current and former employees. The key employees and management of the Company, including Clayton Stark, will remain active as the key management team of the

Company going forward. KIXEYE's four profitable live products are; Battle Pirates, War Commander, Vega Conflict and War Commander: Rogue Assault. Battle Pirates has been the top grossing game on Facebook and both Battle Pirates and Vega Conflict are available cross platform. War Commander: Rogue Assault is the newest mobile title and has a strong growth potential. The Company generated preliminary unaudited IFRS converted pro forma net revenue of approximately SEK 128 million, and approximately SEK 65 million in EBITDA for the period January-March 2019, eliminating costs and income related to the assets, employees and business pertaining to the game development of Kingdom Maker, which will be divested to Global Worldwide prior to completion.¹

The acquisition of KIXEYE will significantly strengthen Stillfront's market position and game portfolio. The two companies are active within the same game genre, focusing mainly on free-to-play strategy games. The combination of Stillfront's broad portfolio with KIXEYE's four legendary products makes the portfolios great complements. Furthermore, the strategy genre typically sees a sticky customer base and long game life cycles, enabling steady revenue streams with additional upside from new game launches. The combined group will be well-positioned to optimize and further develop its well-diversified portfolio.

Stillfront expects the acquisition of KIXEYE to result in a number of potential synergies and increased growth opportunities directly upon completion of the Transaction. The companies have identified synergies within performance marketing, live ops and multi-platform experience. Achieving these synergies will result in a further enhanced profitability within the combined group. No revenue synergies or cost reductions have been taken into consideration in the pro forma figures.

PRELIMINARY PRO FORMA FINANCIALS

Preliminary unaudited US GAAP to IFRS converted pro forma financials for Q1 2019 are presented below with the purpose of describing the financial situation after the Transaction as well as after the divestment of Kingdom Maker. KIXEYE has thus far had USD as its reporting currency. The USD figures have been translated to SEK using the average FX rate for the period of January 1 to March 31 2019, with USD/SEK at 9.1706. All numbers are preliminary and unaudited.

KIXEYE has net revenues of SEK 128 million and EBITDA of SEK 65 million which represents an increase of 31% on Stillfront's total Q1 2019 net revenues and 33% on Stillfront's Q1 2019 total EBITDA.

Combined pro forma financials for the new group, excluding Kingdom Maker;
Net revenues of SEK 547 million with an adjusted EBITDA of SEK 219 million for the first quarter of 2019.

PURCHASE PRICE

The transaction involves the acquisition of 100% of the shares in KIXEYE through a so called reverse triangular merger for an upfront consideration payable in cash to the sellers of USD 90 million on a cash and debt free basis. The upfront consideration will be subject to a two-way net working capital, net debt and net cash adjustment.

Completion of the acquisition is expected to occur no later than on 1 July 2019. The Company would then be consolidated into Stillfront's consolidated financial reporting from 1 July 2019.

The sellers will, subject to certain EBITDA levels for the financial years ending 31 December 2019 being achieved, be entitled to an earn-out consideration payable by Stillfront in an aggregate maximum total amount of USD 30 million which would be

¹ The USD figures have been translated to SEK using the average FX rate for the period of January 1 to March 31 2019, with USD/SEK at 9.1706.

payable in cash. The earn-out consideration is payable in 2020 following the approval of the audited annual reports for the financial years ending 31 December 2019. The ultimate size of the earn-out component will depend on the EBITDA development of the Company. Stillfront considers that the total consideration, including the earn-out consideration if payable, will result in a very attractive earnings multiple for Stillfront.

FINANCING

Near term, the purchase price payable including any earn-out consideration will be financed through cash at hand, available credit facilities as well as through a new bridge loan facility in the maximum amount of SEK 900 million. As of 31 March 2019, Stillfront had cash of about SEK 280 million and an unutilized revolving credit facility of about SEK 360 million. The bridge loan facility has an initial term of six months with an option to extend for two successive periods of six months, provided that prior to the commencement of the second extension period, half of the then outstanding bridge loan facility, is repaid. The bridge loan facility is provided by Swedbank and is entered into on prevailing market terms and conditions.

During the coming twelve months, Stillfront aims to repay the bridge and further strengthen the group's financial flexibility for future growth, in line with Stillfront's communicated financial targets. This will be done through a combination of raising new equity and new debt. The planned financing from new equity will be in the area of SEK 500 million and may be done through a directed issue and/or a rights issue. In the event of a rights issue, 70% has been secured through guarantees provided by Swedbank. The planned financing from new debt will be a combination of bond and bank financing.

CONDITIONS FOR THE COMPLETION OF THE TRANSACTION

Stillfront's acquisition of KIXEYE is conditional upon the satisfaction of customary closing conditions.²

FINANCIAL AND LEGAL ADVISORS

DLA Piper is acting as legal advisor and EY is acting as financial advisor to Stillfront in the Transaction. Goodwin Procter LLP is acting as legal advisor and Deloitte is acting as financial advisor to KIXEYE and its sellers in connection with the Transaction.

CONFERENCE CALL FOR INVESTORS, ANALYSTS AND THE MEDIA

Representatives of Stillfront will participate in a conference call on Tuesday 4 June 2019, at 10.00 CEST. To participate, please use the details set out below.

To participate by telephone, please dial:

SE: +46850558357

UK: +443333009270

US: +18338230590

To participate via audiocast:

<https://tv.streamfabriken.com/stillfont-press-conference>

² Such closing conditions include that there shall be no injunction prohibiting the merger, that requisite consent has been obtained by the shareholders of KIXEYE, that certain representations and warranties are true and correct in all material respects, that there is no breach of the merger agreement, that there shall be not more than a certain level of dissenting KIXEYE shareholders, no key employee agreement shall have been revoked, that there has not occurred any material adverse effect and that divestment of the Kingdom Maker operations shall have been completed.

For additional information, please contact:

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Forward-looking statements

This press release contains certain forward-looking statements that reflect the Stillfront's current views or expectations of future events and financial and operational performance, including statements relating to the Transaction and statements regarding guidance, planning, prospects and strategies. Words such as "intends", "anticipates", "expects", "plans", "estimates", "may", and similar expressions regarding indications or predictions of future developments or trends that are not based on historical facts, constitute forward-looking information. Although Stillfront believes that these statements are based upon reasonable assumptions and expectations, Stillfront cannot give any assurances that any such forward-looking statements will materialize. Because these forward-looking statements involve both known and unknown risks and uncertainties, actual results may differ materially from the information set forth in the forward-looking information. Forward-looking statements in this press release apply only at the time of the press release and are subject to change without notice. Stillfront undertakes no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, other than as required by applicable law or stock market regulations.

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 above, at 18.00 CEST on 3 June 2019.

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

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IMPORTANT INFORMATION

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This announcement is not a prospectus for the purposes of Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive").

This press release contains certain forward-looking statements that reflect Stillfront's current views or expectations of future events and financial and operational performance, including statements relating to the Transaction and statements regarding guidance, planning, prospects and strategies. Words such as "intends", "anticipates", "expects", "plans", "estimates", "may", and similar expressions regarding indications or predictions of future developments or trends that are not based on historical facts, constitute forward-looking information. Although Stillfront believes that these statements are based upon reasonable assumptions and expectations, Stillfront cannot give any assurances that any such forward-looking statements will materialize. Because these forward-looking statements involve both known and unknown risks and uncertainties, actual results may differ materially from the information set forth in the forward-looking information. Forward-looking statements in this press release apply only at the time of the press release and are subject to change without notice. Stillfront undertakes no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, other than as required by applicable law or stock market regulations.

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