

Q2

Stillfront Group

Interim Report April-June 2019

STILLFRONT
GROUP



NET REVENUE

480 MSEK

ADJ. EBIT

153 MSEK

ADJ. EBIT MARGIN

32 %

Highlights second quarter

- Net revenue amounted to 480 MSEK (329 MSEK), an increase of 46% compared to the second quarter of 2018
- Adjusted EBITDA (excluding items affecting comparability) amounted to 197 MSEK (104), an increase of 90%
- Adjusted EBIT (excluding items affecting comparability) amounted to 153 MSEK (73), an increase of 110%
- Items affecting comparability of -26 MSEK (-10) whereof -20 MSEK are transaction costs related to the acquisition of Kixeye and -5 MSEK to the revaluation of conditional contingent liabilities
- EBIT amounted 128 MSEK, (63), an increase of 102%
- The net result amounted to 73 MSEK (31), an increase of 136%, affected by non-recurring costs of of -6 MSEK related to financing activities
- The net result per share undiluted amounted to 3.08 SEK (1.26). The net result per share diluted amounted to 3.06 SEK (1.25)
- Net debt amounted to 904 MSEK (525) and the adjusted leverage ratio, pro forma was 1.4x excluding EBITDA contribution from Kixeye
- Acquisition of Kixeye, consolidated from 1 July 2019
- New financing in place: Bond of 500 MSEK and Share issue of 500 MSEK

Comment from the CEO

“We continue to report strong results, recording 46% revenue growth and further expanded the adjusted operating margin to 32% in the second quarter. All three active product areas, Empire, Big and Core, delivered a third quarter of sequential growth. The Core products recorded an exceptionally strong quarter with Nida Harb 3 continuing its impressive growth trajectory and becoming the single largest product in our portfolio. User acquisition costs amounted to 99 MSEK or 21% in relation to net revenue. One important growth driver is our well executed live operations with new content and successful in-game events in many of the games, which generated improved monetisation and high margins. In the quarter we finalized the acquisition of Kixeye, an industry leader and strategy game pioneer. We have also strengthened our financial position with new debt financing and a successfully directed share issue, supporting us for further growth. Finally, we are also very pleased to report that we have reached our long-term EBIT target of >30% LTM.”

Jörgen Larsson, CEO, Stillfront Group

Operational overview of the second 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 32 largest games as ranked per revenue.

Game performance

2019 Q2	Total	Empire	Big	Core
Deposits (MSEK)	451	163	80	208
Y-o-Y %	37%	-1%	9%	133%
Share of total, %		36%	18%	46%
UAC (MSEK)	99	13	32	55
Y-o-Y %	4%	-49%	-37%	176%
DAU ('000) (1)	1,317	284	334	699
Y-o-Y %	29%	-29%	-10%	184%
MAU ('000) (1)	5,881	1,309	1,541	3,032
Y-o-Y %	39%	-24%	0%	213%
MPU ('000) (1)	192	60	48	83
Y-o-Y %	15%	-20%	-10%	122%
ARPPMU (SEK) (1)	782	902	554	826
Y-o-Y %	20%	24%	21%	6%

(1) Online games only

Deposits are revenues excluding IFRS revenue recognition adjustments and other game related revenues such as advertising revenues.

UAC IN RELATION TO REVENUE

21 %

Deposits (revenues excluding IFRS revenue recognition adjustments and other game related revenues), in the second quarter amounted to 451 MSEK. The increase of 37% is due to strong development in Nida Harb 3, Strike of Nations and Big Farm: Mobile Harvest, besides the growth from acquired businesses. Nida Harb 3 became the largest product in the group portfolio in the quarter. Deposits for Empire brands remain stable compared to the second quarter last year with a UAC, user acquisition cost, of 13 MSEK which is 49% lower YoY. The deposits for Big products increased by 18% in comparison to the same quarter last year with a UAC of 32 MSEK. Deposits within Core products amounted to 208 MSEK, an increase of 133%.

ARPPMU

782 SEK

During the second quarter, the total number of MAUs, monthly active users, increased by 39% and DAUs, daily active users increased by 29% compared to the second quarter last year. User acquisition cost, UAC, in the second quarter amounted to 99 MSEK, corresponding to 21% in relation to net revenue.

ARPPMU, average revenue per monthly paying user, is one of the core strengths of the Stillfront portfolio and this quarter totalled average revenue of 782 SEK, an increase of 20% compared to the same period last year. These record levels are driven by very effective live ops in Q2, particularly in the Empire products.

MOBILE SHARE OF REVENUE

59 %

The mobile share of revenue during the second quarter was 59% compared to 55% in the first quarter of 2019. The increase in the proportion of mobile revenue is mainly a result of continued strong revenue growth in Nida Harb 3.

In June, the Stillfront studio eRepublik labs launched Game of Trenches.

Financial overview of the second quarter

Revenue and operating profit

MSEK	2019	2018	Chg%	2019	2018	Chg%	Last 12 months	2018
	Apr-Jun	Apr-Jun		Jan-Jun	Jan-Jun			Jan-Dec
Net Revenue	480	329	46	898	644	39	1,579	1,325
EBITDA	171	94	83	326	198	64	601	473
EBITDA margin, %	36	28		36	31		38	36
EBIT	128	63	102	241	136	76	452	348
EBIT margin, %	27	19		27	21		29	26
Items affecting comparability	-26	-10	158	-26	-12	120	-30	-16
Adjusted EBITDA*	197	104	90	351	210	67	631	490
Adjusted EBITDA margin*, %	41	31		39	33		40	37
Adjusted EBIT*	153	73	110	266	148	80	482	364
Adjusted EBIT margin*, %	32	22		30	23		31	27

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

Net revenue in the first quarter amounted to 480 MSEK (329). The increase of 46% is mainly due to strong development in Nida Harb 3, Strike of Nations and Big Farm: Mobile Harvest, besides the growth from newly acquired businesses.

Adjusted EBITDA amounted to 197 MSEK (104) during the second quarter, corresponding to an EBITDA-margin of 41% (31%).

Adjusted EBIT amounted to 153 MSEK (73) during the second quarter, corresponding to an EBIT-margin of 32% (22%). The increase of the EBIT-margin is a result of strong monetisation.

Product development

MSEK	2019	2018	2019	2018	Last 12 months	2018
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun		Jan-Dec
Capitalization of product development	43	35	94	67	182	156
Depreciation and amortization	-36	-22	-71	-41	-150	-120

During the second quarter investments in product development have been capitalised by 43 MSEK (35). Investments include continued development of new games such as Game of Trenches as well as undisclosed titles. Further, investments also pertain to other new titles based on existing engines as well as larger extensions and additions to existing games.

Depreciation and amortization of -36 MSEK (-22) was charged during the second quarter, whereof 14 MSEK pertain to intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries. 22 MSEK pertain to amortization of capitalized product development expenses.

Financial net

The financial net was -23 MSEK for the second quarter (-11). Items in the financial net were, interest net of -11 MSEK, non-cash interest charge on earn-out consideration of -1 MSEK, non-recurring costs amounting to -6 MSEK consisting of bridge facility and legal costs related to the bond issuance. Fx effects amounted to -5 MSEK.

Tax

The Group's tax expense for the second quarter was -31 MSEK (-21). The underlying tax rate for the second quarter was 30%, driven by a high share of pre-tax profits in Germany.

Financing

	2019	2018
	30 Jun	30 Jun
Net debt	904	525
Cash and cash equivalents	324	80
Interest Coverage Ratio, x	6.2	20.4
Adjusted Leverage Ratio, x	1.4	1.5

Net Debt as of June 30, 2019 amounted to 904 MSEK (525 MSEK). In addition, the Group has as of the same date liabilities of 319 MSEK for provisions for earnouts, to be settled during 2019, 2020, 2021 and 2022 of which about 47% is expected to be paid out in cash and 53% in newly issued shares. About 38 MSEK of the provisions for earnouts is expected to be settled during 2019 of which about 21% in cash and 79% in newly issued shares. Potential earnouts from Kixeye are not included, for more details please see section: significant events in the second quarter.

The Adjusted Interest coverage ratio was 6.2x as of June 30, 2019. The Adjusted Leverage ratio was 1.4x as of June 30. The Adjusted Leverage ratio, pro forma was 1.4x. The EBITDA for these ratios does not include any contribution from Kixeye. Stillfront has a financial target of maximum 1.5x for the adjusted leverage ratio.

As of June 30, 2019, unutilised credit facilities amounted to 454 MSEK.

Cash flow

MSEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	2018 Jan-Dec
Cash flow from operations	135	-22	228	39	399	210
Cash flow from investment activities	-1,037	-37	-1,102	-4	-1,386	-288
Cash flow from financing activities	955	-8	948	-138	1,227	140
Cash flow for the period	52	-67	75	-104	240	62

Cash flow from operations was 135 MSEK (-22) in the second quarter mainly due to the strong development of the business. Cash flow from investment activities amounted to -1037 MSEK (-37). The cash flow from investment activities is primarily a result of the acquisition of Kixeye totalling -878 MSEK, payment of earn-outs -116 MSEK and investments in product development and fixed assets -43 MSEK. Cash flow from financing activities amounted to 955 MSEK (-8) and is mainly due to the directed share issue of 500 MSEK, bond raising of 500 MSEK minus a reduction in credit facility utilisation of 29 MSEK and issue costs of 17 MSEK.

Employees

	2019 30 Jun	2018 30 Jun	2018 31 Dec
Number of Employees	512	415	482

The number of employees at the end of period was 512 (415). 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 second quarter

Stillfront completed the acquisition of 100% of the shares in Kixeye in the end of June. Kixeye will be consolidated into Stillfront's consolidated financial reporting from 1 July, 2019. Cash in transit for the acquisition has been booked as a current receivable in the balance sheet and under investments in the cashflow.

Stillfront has successfully placed MSEK 500 of senior unsecured bonds under a new bond framework of up to MSEK 1,000 senior unsecured bond loan due 2024. The interest rate for the new bond loan was set at Stibor 3m + 475bps. The proceeds from the bond issue was used to finance the acquisition of Kixeye and for general corporate purposes.

In the quarter, Stillfront conducted a directed share issue of SEK 500 million. The share issue of 2,080,732 million shares at a price of SEK 240.40 per share was oversubscribed by Swedish and international institutional investors.

Stillfront acquired Kixeye, a leading developer and publisher of online strategy games headquartered in Canada. The upfront consideration which was paid in cash to the sellers of Kixeye amounted to USD 90 million on a cash and debt free basis. The sellers are 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 and is payable in 2020. 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 product Kingdom Maker operations have been eliminated.

Market

The global gaming industry is one of the largest sectors of the entertainment industry globally. In 2019, the global games market will generate revenues of \$152.1 billion, a +9.6% year-on-year increase. By 2022, the global games market will grow to \$196.0 billion with a CAGR (2018-2022) of +9.0%. Latin America is now the fastest-growing games market in the world boasting a CAGR of +10.4%, driven by improving infrastructure and an increased appetite for games and esports.

Mobile gaming (smartphone and tablet combined) will produce revenues of \$95.4 billion in 2022, growing with a CAGR of +11.3% to account for almost half (49%) of the entire games market. Revenues and growth will be driven predominantly by smartphones, with revenues of \$79.7 billion by 2022 (a CAGR of +12.8%). Tablet will account for the remaining \$15.7 billion. Revenues generated by the console segment will reach \$61.1 billion in 2022, increasing with a healthy CAGR of +9.7%. Game revenues for PC will grow at a slower pace than mobile and console revenues. Nevertheless, the overall PC gaming market will grow with a CAGR of +3.5% to total \$39.5 billion by 2022.

This year, the Asia-Pacific (APAC) region will account for 47% of total global game revenues. North America will, once more, be the second-largest region (by game revenues), taking more than a quarter (26%) of 2019's total global games market. Game revenue growth in the Europe, Middle East, and Africa region (EMEA) will be slightly lower than North America's, representing 23% of the total global games market. Meanwhile, Latin America will make up 4% of the games market.

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, Global Games Market Report 2019.

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 (5). The profit before tax amounted to -41 MSEK (-12).

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	27.5%
2	Första AP-fonden	2,301,212	8.8%
3	Swedbank Robur Fonder	2,206,516	8.4%
4	Handelsbanken Fonder	2,189,370	8.4%
5	SEB Fonder	1,338,733	5.1%
6	Länsförsäkringar Fonder	910,707	3.5%
7	Carnegie Fonder	781,498	3.0%
8	Livförsäkringsbolaget Skandia	450,997	1.7%
9	Avanza Pension	426,452	1.6%
10	Master Creating GmbH	425,913	1.6%
11	Other Shareholders	7,906,972	30.3%

The total number of shares per June 30, 2019 was 26,128,972.

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 June 28, 2019 was 240 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 1 January, 2019.

	Opening balance 2019-01-01
MSEK	
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 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	2018 Jan-Dec
Revenues						
Net revenue	480	329	898	644	1,579	1,325
Work performed by the company for its own use	38	35	76	66	129	118
Other revenue	57	14	59	20	62	23
Operating expenses						
Other external expenses	-327	-204	-561	-398	-901	-738
Personnel expenses	-76	-59	-146	-113	-269	-236
Depreciations, amortisation and write-downs	-43	-31	-85	-62	-149	-125
Other expenses	-1	-21	-2	-21	1	-19
Operating result	128	63	241	136	452	348
Result from financial items						
Net financial items	-23	-11	-36	-17	-102	-83
Result after financial items	105	52	205	120	350	265
Taxes for the period	-31	-21	-62	-43	-126	-107
Net result for the period	73	31	143	76	224	157
Other comprehensive income						
Items that later can be reversed in profit						
Foreign currency translation differences	19	-4	35	-2	39	2
Total comprehensive income for period	92	26	178	74	263	159
Net result for the period attributed to:						
Parent company shareholders	75	29	145	76	226	156
Non-controlling interest	-1	1	-3	0	-2	1
Period total comprehensive income						
Parent company shareholders	94	25	180	74	264	157
Non-controlling interest	-1	3	-3	2	-2	2
Average number of shares						
Undiluted	24,342,256	23,256,877	24,197,685	22,971,285	23,780,680	23,256,070
Diluted	24,521,494	23,438,327	24,347,685	23,099,772	23,911,389	23,386,780
Net result per share attributable to the parent company shareholders						
Undiluted, SEK/share	3.08	1.26	6.01	3.31	9.49	6.72
Diluted, SEK/share	3.06	1.25	5.97	3.29	9.44	6.68

Balance sheet in summary, Group

MSEK	30/06/2019	30/06/2018	31/12/2018
Intangible non-current assets	2,242	1,531	2,179
Tangible non-current assets	55	9	14
Deferred tax assets	18	14	5
Current receivables	1,124	133	153
Cash and cash equivalents	324	80	246
Total assets	3,763	1,767	2,598
Shareholders' equity			
Shareholders' equity attributable to parent company's sharehold	1,751	895	1,081
Non-Controlling interest	14	22	15
Total Shareholders' equity	1,764	917	1,096
Deferred tax liabilities	105	80	102
Bond	1,082	188	588
Non-current liabilities	319	489	430
Current liabilities	492	93	382
Total Liabilities and Shareholders' equity	3,763	1,767	2,598

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
Opening balance							
2018-01-01	1	-	-	63	64	-	64
Net result for the period				76	76	0	76
Foreign currency translation differences			-2		-2	2	-0
Total comprehensive income	-	-	-2	76	74	2	76
Transactions with shareholders	16	1,145	-	-403	757	20	777
Total transactions with shareholders	16	1,145	-	-403	757	20	777
Closing balance							
2018-06-30	16	1,145	-2	-264	895	22	917
Opening balance							
2019-01-01	16	1,248	1	-184	1,081	16	1,096
Net Result for the period				145	145	-3	143
Foreign currency translation differences			-	35	35		35
Total comprehensive income	-	-	-	180	180	-3	178
Total transactions with shareholders	2	489			491		491
Closing balance							
2019-06-30	18	1,736	1	-4	1,752	13	1,764

Cash flow in summary, Group

MSEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	2018 Jan-Dec
Operations						
Result after financial items	104	53	205	121	353	270
Adj for items not in cash flow etc	55	42	97	69	156	129
Tax paid	-11	-34	-24	-36	-85	-97
Cash flow from operations before changes in working capital	148	60	277	155	424	301
Changes in working capital						
Increase(-)/Decrease(+) in operating receivables	-43	-4	-87	-28	-87	-28
Increase (+)/Decrease(-) in operating liabilities	29	-78	38	-88	62	-64
Cash flow from changes in working capital	-14	-82	-49	-116	-25	-92
Cash flow from operations	135	-22	228	39	399	210
Investment activities						
Acquisition of business	-995	-	-995	66	-1,185	-124
Acquisition of tangible assets	-2	-0	-3	-0	-6	-4
Acquisition of intangible assets	-40	-37	-105	-70	-195	-160
Cash flow from investment activities	-1,037	-37	-1,102	-4	-1,386	-288
Financing activities						
New debt	500	-	500	386	1,243	1,129
Repayment debt	-	-8	-	-	-500	-500
Credit facilities	-29	-	-35	-	-	35
Issue cost	-17	0	-17	-52	-18	-53
Warrants	-	1	-	1	1	1
New share issue	500	-	500	-	500	-
Payment to shareholders (incl. dividend paid)	-	-1	-	-85	-	-85
Dividend reversed acquisition	-	-	-	-388	-	-388
Cash flow from financing activities	955	-8	948	-138	1,227	140
Cash flow for the period	52	-67	75	-104	240	62
Cash and cash equivalents at start of period	278	145	247	176	80	176
Translation differences	-6	3	2	8	3	9
Cash and cash equivalents at end of period	324	80	324	80	324	247

Parent company income statement, summary

MSEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	2018 Jan-Dec
Revenue						
Net revenue	8	5	16	8	27	19
Operating expenses						
Other external expenses	-27	-2	-34	-4	-41	-12
Personnel expenses	-6	-4	-9	-6	-16	-13
Operating result	-25	-1	-27	-2	-30	-5
Financial items						
Financial income	1	1	2	3	1	3
Financial expenses	-15	-11	-28	-18	-92	-82
Total financial items	-14	-10	-27	-15	-90	-79
Result after financial items	-39	-12	-54	-17	-121	-84
Profit before tax	-39	-12	-54	-17	-121	-84
Tax for the period	-2	1	-	3	-13	-10
Net result for the period	-41	-11	-54	-14	-134	-95

Parent company balance sheet, summary

MSEK	30/06/2019	30/06/2018	31/12/2018
Intangible assets	1	-	1
Tangible non-current assets	6	-	-
Financial non-current assets	5,219	3,908	4,399
Deferred tax	-	-	-
Current receivables	22	22	35
Cash and bank	8	1	26
Total assets	5,256	3,932	4,461
Shareholders' equity	3,752	3,292	3,315
Provisions for contingency consideration	319	72	406
Non-current liabilities	97	73	-
Bond	1,082	489	588
Current liabilities – Overdraft	-	-	35
Other current liabilities	7	5	117
Total liabilities & Shareholders' equity	5,256	3,932	4,461

Key figures, Group

	2019	2018	2019	2018	Last 12 months	2018
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun		Jan-Dec
Unadjusted revenues	461	330	892	646	1,568	1,323
Deferred revenue	19	-1	6	-2	11	2
Net revenue	480	329	898	644	1,579	1,325
EBITDA	171	94	326	198	601	473
<i>EBITDA margin %</i>	36	28	36	31	38	36
EBIT	128	63	241	136	452	348
<i>EBIT margin %</i>	27	19	27	21	29	26
Adjusted EBITDA*	197	104	351	210	631	490
<i>Adjusted EBITDA margin*, %</i>	41	31	39	33	40	37
Adjusted EBIT*	153	73	266	148	482	364
<i>Adjusted EBIT margin*, %</i>	32	22	30	23	31	27
Profit before tax	105	52	205	120	350	265
Net result	73	31	143	76	224	157
Adjusted Interest Coverage Ratio, x	6.2	20.4	6.2	20.4	6.2	5.9
Adjusted Leverage Ratio, %	1.43	1.50	1.43	1.50	1.43	1.06
Shareholders' equity per share undiluted, SEK	67.00	38.45	67.00	38.45	67.00	44.95
Shareholders' equity per share diluted, SEK	66.54	38.16	66.61	38.24	66.63	44.71
Earnings per share undiluted, SEK	3.08	1.26	6.01	3.31	9.49	6.72
Earnings per share diluted, SEK	3.06	1.25	5.97	3.29	9.44	6.68
No of shares end of period undiluted	26,128,972	23,272,094	26,128,972	23,272,094	26,128,972	24,048,240
No of shares end of period diluted	26,308,210	23,453,544	26,278,972	23,400,581	26,274,577	24,178,949
Average no of shares period undiluted	24,342,256	23,256,877	24,197,685	22,971,285	23,780,680	23,256,070
Average no of shares period diluted	24,521,494	23,438,327	24,347,685	23,099,772	23,911,389	23,386,780

* Excluding items affecting comparability

Acquisitions

Acquisition of Imperia online

In September 2018, Stillfront acquired 100% of the shares in Imperia Online, a leading game developer and publisher in Southeastern Europe with focus on long-term gamer relations.

Purchase price of the acquisition is as follows:

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

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.

Purchase price allocation

A finalized purchase price allocation of Imperia Online is provided below.

The fair value of acquired assets and assumed liabilities (MSEK):	
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	0
Deferred tax liabilities	-6
Current liabilities	-5
Total net assets acquired excluding goodwill	71
Goodwill	160
Total net assets acquired	231
Less	
Cash and cash equivalents	-15
Ordinary shares issued	-45
Contingent conditional consideration	-134
Net cash outflow on acquisition of business	37

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.

The acquired business Imperia Online has been consolidated from October 1, 2018.

Acquisition of Playa Games

In December 2018, Stillfront acquired 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
Total purchase consideration	399

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 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
Total net assets acquired excluding goodwill	20
Goodwill	378
Total net assets acquired	398
Less	
Cash and cash equivalents	-35
Ordinary shares issued	-58
Contingent conditional consideration	-197
Additional	-
Loan payment to former owner	33
Net cash outflow on acquisition of business	141

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.

Acquisition of Kixeye

In June 2019, Stillfront acquired Kixeye, a leading developer and publisher of online strategy games headquartered in Canada. The upfront consideration which was paid in cash to the sellers of Kixeye amounted to USD 90 million on a cash and debt free basis. The sellers are 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 was consolidated into Stillfront's consolidated financial reporting from 1 July 2019.

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

Items Affecting Comparability, IAC

	2019	2018	2019	2018	Last 12	2018
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	months	Jan-Dec
Revenue						
Revaluation of Conditional Contingent Considerations	54	12	54	16	54	16
Total IAC Revenues	54	12	54	16	54	16
Costs						
Revaluation of Conditional Contingent Considerations	-60	-22	-60	-22	-60	-22
Transaction Costs	-20	-1	-20	-6	-25	-11
Total IAC Costs	-80	-22	-80	-28	-84	-33
TOTAL IAC – Period	-26	-10	-26	-12	-30	-16

Adjusted EBITDA

	2019	2018	2019	2018	Last 12	2018
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	months	Jan-Dec
Operating result	128	63	241	136	452	348
Depreciations	43	31	85	62	149	125
Excluding						
Items affecting comparability	26	10	26	12	30	16
Adjusted EBITDA	197	104	351	210	631	490

Adjusted EBITDA, pro forma

	2019	2018
MSEK	Jan-Jun	Jan-Jun
Adjusted EBITDA	631	350
Including		
EBITDA, latest 12 months, Acquired companies	29	35
Adjusted EBITDA, pro forma	660	385

Adjusted EBIT

	2019	2018	2019	2018	Last 12	Jan-Dec
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	months	2018
Operating result	128	63	241	136	452	348
Excluding						
Items affecting comparability	26	10	26	12	30	16
Adjusted EBIT	153	73	266	148	482	364

Adjusted Interest Coverage Ratio

	2019	2018	2019	2018	Last 12 months	Jan-Dec
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun		2018
Adjusted EBITDA latest 12 months	631	350	631	350	631	490
<i>Divided by</i>						
Net financial items latest 12 months	102	17	102	17	102	83
Adjusted interest coverage ratio, x	6.2	20.4	6.2	20.4	6.2	5.9

Adjusted Interest Coverage Ratio, pro forma

	2019	2018
MSEK	Jan-Jun	Jan-Jun
Proforma Adjusted EBITDA latest 12 months	660	385
<i>Divided by</i>		
Net financial items latest 12 months	102	17
Adjusted interest coverage ratio, x, pro forma	6.5	22.5

Adjusted Leverage Ratio

	2019	2018	2019	2018	Last 12 months	Jan-Dec
MSEK	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun		2018
Bond	1,082	489	1,082	489	1,082	588
Other interest-bearing liabilities	146	117	146	117	146	179
Cash and cash equivalents	-324	-80	-324	-80	-324	-246
Total net debt	904	525	904	525	904	521
<i>Divided by</i>						
Adjusted EBITDA	631	350	631	350	631	490
Adjusted leverage ratio	1.43	1.50	1.43	1.50	1.43	1.06

Adjusted Leverage Ratio, pro forma

	2019	2018
MSEK	Jan-Jun	Jan-Jun
Bond	1,082	489
Other interest-bearing liabilities	146	117
Cash and cash equivalents	-324	-80
Total net debt	904	525
<i>Divided by</i>		
Adjusted EBITDA, pro forma	660	385
Adjusted leverage ratio, pro forma	1.37	1.36

Shareholders' Equity Per Share Undiluted, SEK

SEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	Jan-Dec 2018
Shareholders' equity attributable to parent company	1,751	895	1,751	895	1,751	1,081
<i>Divided by</i>						
No of shares end of period undiluted	26,128,972	23,272,094	26,128,972	23,272,094	26,128,972	24,048,240
Shareholders' equity per share undiluted, SEK	67.00	38.45	67.00	38.45	67.00	44.95

Shareholders' Equity Per Share Diluted, SEK

SEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	Jan-Dec 2018
Shareholders' equity attributable to parent company's shareholders	1,751	895	1,751	895	1,751	1,081
<i>Divided by</i>						
No of shares end of period diluted	26,308,210	23,453,544	26,278,972	23,400,581	26,274,577	24,178,949
Shareholders' equity per share diluted, SEK	66.54	38.16	66.61	38.24	66.63	44.71

Earnings Per Share Undiluted, SEK

SEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	Jan-Dec 2018
Net result for the period attributed to parent company's shareholders, MSEK	75	29	145	76	226	156
<i>Divided by</i>						
Average no of shares period undiluted	24,342,256	23,256,877	24,197,685	22,971,285	23,780,680	23,256,070
Earnings per share undiluted, SEK	3.08	1.26	6.01	3.31	9.49	6.72

Earnings Per Share Diluted, SEK

SEK	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	Last 12 months	Jan-Dec 2018
Net result for the period attributed to parent company's shareholders, MSEK	75	29	145	76	226	156
<i>Divided by</i>						
Average no of shares period diluted	24,521,494	23,438,327	24,347,685	23,099,772	23,911,389	23,386,780
Earnings per share diluted, SEK	3.06	1.25	5.97	3.29	9.44	6.68

Financial calendar

Interim Report January-September 2019

8 November 2019

Year End Report 2019

21 February 2020

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 August 15, 2019 at 07.00 CEST.

For further information, please contact:

Jörgen Larsson, CEO

Andreas Uddman, CFO

Tel: 070-32118 00, jorgen@stillfront.com

Tel: 070-0807846, andreas@stillfront.com

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 600 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

Certified Adviser:

FNCA, Phone: +46 8 528 00 399 E-mail: info@fnca.se

STILLFRONT
GROUP