

Q3

# Stillfront Group

## Interim Report July-September 2019

**STILLFRONT**  
GROUP



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### NET REVENUE

**517** MSEK

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### ADJ. EBIT\*

**175** MSEK

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### ADJ. EBIT MARGIN\*

**34**%

### Highlights third quarter

- Net revenue growth of 64 percent 517 (315) MSEK, compared to the third quarter of 2018
- Adjusted EBITDA (EBITDA excluding items affecting comparability) of 208 (120) MSEK, an increase of 73 percent
- From this quarter onwards, Stillfront discloses the Group's underlying operational performance by introducing a new definition of adjusted EBIT, namely EBIT excluding items affecting comparability and amortization of PPA, purchase price allocation-items. Prior periods in the report have been adjusted according to the new definition
- Adjusted EBIT\* of 175 (97) MSEK, an increase of 80 percent
- Items affecting comparability amounted to -3 (0) MSEK. Amortization of PPA-items amounted to -36 (-8) MSEK
- EBIT of 136 (89) MSEK, an increase of 53 percent
- Revaluation of provisions for earnouts will from this quarter onwards be reclassified and impact the financial net. Prior periods have been restated and are provided on page 18.
- Financial net of -3 (-16) MSEK in the quarter, positively impacted by revaluation of provisions for earnouts of 16 MSEK
- Net result of 111 (54) MSEK, an increase of 106 percent
- Net result per share undiluted of 4.12 (2.42) SEK. Net result per share diluted amounted to 4.11 (2.40) SEK
- Net debt of 851 (386) MSEK and adjusted leverage ratio, pro forma of 0.9 (1.0)x

\*Adjusted EBIT is defined as EBIT excluding items affecting comparability and amortization of PPA-items. Alternative performance measures used in this report are explained on page 17.

### Comment from the CEO

"It's full speed ahead for Stillfront now also with Kixeye being part of the Group! We are pleased with the results in Q3, reporting strong organic growth in our portfolio and good profitability development. Overall, revenues reflected seasonality with lowered pace of live operations and marketing spend due to vacation periods. Despite this, our user base is growing year over year and monetization is still strong. In total, we reported 64 percent growth in net revenues together with an Adjusted EBIT margin, excluding items affecting comparability and amortization of PPA-items, of 34 percent in the quarter. User acquisition costs amounted to 83 MSEK or 16 percent in relation to net revenue which is a result of very low marketing spend in Kixeye. With Kixeye now consolidated, we have developed a rich mix in the portfolio and the largest game now represents less than 15 percent of total revenues. Notable highlights in the quarter include the collaboration between Kixeye and Goodgame Studios on performance marketing. Further, Babil Games and Kixeye are developing War Commander Rogue Assault for the MENA-region. Worth mentioning is also the continued strong growth for Big Farm Mobile Harvest year over year. We are in good shape to take advantage of the opportunities ahead of us and our solid financial position gives us confidence in the continued execution of our strategy. We are excited about Stillfront's expansion possibilities going forward".

Jörgen Larsson, CEO, Stillfront Group

## Operational overview of the third 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 34 largest games as ranked per revenue.

### Game performance

2019 Q3	Total	Empire	Big	Core
<b>Deposits (MSEK)</b>	<b>509</b>	135	85	289
Y-o-Y %	66%	-2%	26%	193%
Share of total, %		27%	17%	57%
<b>UAC (MSEK)</b>	<b>83</b>	14	28	40
Y-o-Y %	30%	-2%	-9%	120%
<b>DAU ('000) (1)</b>	<b>1,309</b>	284	301	724
Y-o-Y %	37%	-18%	-14%	180%
<b>MAU ('000) (1)</b>	<b>5,342</b>	1,244	1,116	2,982
Y-o-Y %	30%	-8%	-26%	142%
<b>MPU ('000) (1)</b>	<b>211</b>	61	47	103
Y-o-Y %	38%	-9%	-3%	174%
<b>ARPMPU (SEK) (1)</b>	<b>800</b>	737	609	923
Y-o-Y %	21%	7%	30%	6%
<b>(1) Online games only</b>				

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

#### UAC IN RELATION TO REVENUE

16 %

Deposits (revenues excluding IFRS revenue recognition adjustments and other game related revenues), in the third quarter amounted to 509 MSEK. The increase of 66 percent is due to strong development in for example Big Farm: Mobile Harvest and Nida Harb 3, besides the growth from acquired businesses. Deposits for Empire brands remain stable, -2 percent compared to the third quarter last year with a UAC, user acquisition cost, of 14 MSEK. The deposits for Big products increased by 26 percent in comparison to the same quarter last year with a UAC of 28 MSEK (-9 percent compared to last year). The strong development within the Big category is a result of strong growth in Big Farm: Mobile Harvest, now being live for almost two years. Deposits within Core products amounted to 289 MSEK, an increase of 193 percent due to organic growth mainly driven by Nida Harb 3 and Strike of Nation and the addition of the four Kixeye products: Battle Pirates, Vega Conflict, War Commander and War Commander: Rogue Assault.

#### ARPMPU

800 SEK

User acquisition cost, UAC, in the third quarter amounted to 83 MSEK compared to 99 MSEK in the second quarter of 2019 and corresponding to 16 percent in relation to net revenue (21 percent in Q2). The decrease in UAC is mainly due to Kixeye contributing with a very low marketing spend in the third quarter.

MPU, monthly paying users, grew 38 percent year over year mainly as a result of the acquisitions of Imperia, Playa and Kixeye. The loyal paying user base excluding acquired studios, remain stable year over year. ARPMPU, average revenue per monthly paying user totalled average revenue of 800 SEK, an increase of 21 percent compared to the same period last year. These record levels are driven by a loyal user base in the Big category as well as an increase in Core products as a result of the contribution from Kixeye.

#### MOBILE SHARE OF REVENUE

56 %

The mobile share of revenue during the third quarter was 56 percent compared to 59 percent in the second quarter of 2019.

In the third quarter, Stillfront launched no new titles. After the reporting period Empire: Age of Knights was launched globally on all major mobile platforms.

## Financial overview of the third quarter

### Revenue and operating profit

MSEK	2019	2018	Chg%	2019	2018	Chg%	Last 12	2018
	Jul-Sep	Jul-Sep		Jan-Sep	Jan-Sep		months	Jan-Dec
Net Revenue	517	315	64	1,415	959	48	1,782	1,325
EBITDA	205	120	71	536	323	66	692	479
EBITDA margin, %	40	38		38	34		39	36
EBIT	136	89	54	382	230	66	505	353
EBIT margin, %	26	28		27	24		28	27
Items affecting comparability	-3	-	-	-23	-6	267	-28	-11
Adjusted EBITDA*	208	120	73	559	329	70	720	490
Adjusted EBITDA margin*, %	40	38		40	34		40	37
Amortization of PPA items	-36	-8	344	-63	-25	151	-70	-32
Adjusted EBIT*	175	97	81	468	261	79	603	397
Adjusted EBIT margin*, %	34	31		33	27		34	30

\* Adjusted EBITDA is defined as EBITDA excluding items affecting comparability. Adjusted EBIT is defined as EBIT excluding items affecting comparability and amortization of PPA-items.

Net revenue in the third quarter amounted to 517 (315) MSEK. The increase of 64 percent is mainly due to strong development in Nida Harb 3 and Big Farm: Mobile Harvest, besides the growth from the acquired businesses of Imperia Online, Playa and Kixeye.

Adjusted EBITDA amounted to 208 (120) MSEK during the third quarter, corresponding to an EBITDA-margin of 40 (38) percent.

#### ***New definition of Adjusted EBIT***

From this quarter onwards, Stillfront discloses the Group's underlying operational performance by introducing a new definition of adjusted EBIT, namely, EBIT excluding items affecting comparability and amortization of PPA, purchase price allocation-items. Prior periods in the report have been adjusted according to new definition.

Adjusted EBIT amounted to 175 (97) MSEK during the third quarter, corresponding to an adjusted EBIT-margin of 34 (31) percent. The increase of the adjusted EBIT-margin is due to continued strong monetization as a result of successful performance marketing and live ops conducted in previous quarters. The user acquisition cost, UAC in the third quarter is lower than usual due to disciplined adjustments in a quarter impacted by seasonality as well as the result of a very low UAC in Kixeye.

### Product development

MSEK	2019	2018	2019	2018	Last 12	2018
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	months	Jan-Dec
Capitalization of product development	71	36	164	106	214	156
Amortization of product development	-23	-19	-68	-64	-91	-87
Amortization of PPA items	-36	-8	-63	-25	-70	-32

During the third quarter investments in product development have been capitalised by 71 (36) MSEK. Investments include development of new games such as Game of Trenches as well as Empire: Age of Knights released after the reporting period. Investments also pertain to other new titles based on existing engines as well as larger extensions and additions to existing games.

Amortization of product development of -23 (-19) MSEK was charged during the third quarter. Amortization of purchase price allocation, PPA items, amounted to -36 (-8) MSEK.

## Financial net

The financial net was -3 (-16) MSEK in the third quarter. Items in the financial net were interest net of -17 MSEK, non-cash interest charge on earnout consideration of -2 MSEK, financial income amounting to 16 MSEK consisting of revaluation of provisions for earnouts.

Revaluation of provisions for earnouts will from this quarter onwards be reclassified and impact the financial net. Prior periods have been restated and are provided on page 18.

## Tax

The Group's tax expense for the third quarter amounted to -22 (-18) MSEK. The effective tax rate for the third quarter was 16 (25) percent. Year to date the tax expense amounted to -84 (-61) MSEK. The effective tax rate year to date was 25 (32) percent.

The effective tax rate was evaluated in Q3 as part of an ongoing assessment.

## Financing

	2019 30 Sep	2018 30 Sep
Net debt	851	386
Cash and cash equivalents	385	152
Interest Coverage Ratio, x	6.8	9.9
Interest Coverage Ratio, pro forma, x	8.6	10.3
Adjusted Leverage Ratio, x	1.2	1.1
Adjusted Leverage Ratio, pro forma, x	0.9	1.0

Net debt as of September 30, 2019 amounted to 851 MSEK (386 MSEK). In addition, the Group has as of the same date liabilities of 337 MSEK for provisions for earnouts, to be settled during 2020, 2021 and 2022 of which about 58 percent is expected to be paid out in cash and 42 percent in newly issued shares. About 228 MSEK of the provisions for earnouts is expected to be settled at latest the third quarter of 2020 of which about 60 percent in cash and 40 percent in newly issued shares.

Interest coverage ratio, pro forma was 8.6 (10.3)x as of September 30, 2019. The Adjusted leverage ratio, pro forma was 0.9 (1.0)x including acquired companies. Stillfront has a financial target of maximum 1.5x for the adjusted leverage ratio.

As of September, 30 2019, unutilised credit facilities amounted to 450 MSEK and a cash balance of 385 MSEK.

## Cash flow

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
Cash flow from operations	108	121	336	160	386	210
Cash flow from investment activities	-63	-48	-1,165	-52	-1,401	-288
Cash flow from financing activities	6	-3	954	-141	1,236	140
Cash flow for the period	51	70	126	-33	221	62

Cash flow from operations was 108 (121) MSEK in the third quarter. Impacted by seasonal tax payments of 49 MSEK as well as a reduction in operating liabilities mainly due to transaction costs related to the acquisition of Kixeye and timing differences on working capital between the quarters.

Cash flow from investment activities amounted to -63 (-48) MSEK. The cash flow from investment activities is primarily related to investments in product development of 59 MSEK. Cash flow from financing activities amounted to 6 (-3) MSEK.

## Employees

	2019 30 Sep	2018 30 Sep	2018 31 Dec
Number of Employees	689	417	482

The number of employees at the end of period was 689 (417). The increase compared to the same period previous year is primarily due to the acquisitions of Imperia Online, Playa Games and Kixeye.

## Significant events in the third quarter

### *Issuance of bond framework*

Stillfront has listed its MSEK 500 senior unsecured bonds due 2024 on the open market of the Frankfurt Stock Exchange. The bonds have been admitted to trading by 22 August 2019.

### *Issuance of shares to the sellers of Imperia, eRepublik and Babil*

In the quarter, Stillfront resolved to allot the subscribed shares in the new issue of shares to the sellers of Imperia Online, eRepublik Labs and Babil Games respectively.

### *Appointment of Chief Product Officer*

Phillip Knust was appointed Group Chief Product Officer, CPO and part of the executive management team of Stillfront Group. Phillip Knust is currently CPO of Goodgame Studios and has extensive experience from the gaming industry. Phillip Knust will combine the two roles and assumed his position for the Group September 1, 2019.

For more information, please visit [www.stillfront.com/en/section/investors/press-releases/](http://www.stillfront.com/en/section/investors/press-releases/)

## Significant events after the reporting period

### *Global release of EMPIRE: Age of Knights*

Goodgame Studios announced the global release of their medieval fantasy strategy game EMPIRE: Age of Knights. Extending Goodgame's successful 'EMPIRE' brand which to date has attracted close to 200 million players. EMPIRE: Age of Knights is available globally on all major mobile platforms.

### *The Nomination Committee of Stillfront Group has been appointed*

The nomination committee has now been appointed and comprises the following members:

Kai Wawrzinek – Laureus Capital

Niklas Johansson – Handelsbanken Funds, Chairman of the Nomination Committee

Ossian Ekdahl – First Swedish National Pension Fund

Jan Samuelson, Chairman Stillfront Group

For more information, please visit [www.stillfront.com/en/section/investors/press-releases/](http://www.stillfront.com/en/section/investors/press-releases/)

## 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, provides 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 third quarter was 9 MSEK (18). The profit before tax amounted to -22 MSEK (0).

## 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	4,190,602	15.9%
2	Handelsbanken Funds	2,515,923	9.6%
3	First Swedish National Fund	2,481,212	9.4%
4	Swedbank Robur Funds	2,390,156	9.1%
5	SEB Funds	1,717,528	6.5%
6	Länsförsäkringar Funds	1,219,038	4.6%
7	Carnegie Funds	781,498	3.0%
8	Avanza Pension	723,222	2.7%
9	Life Insurance Skandia	452,705	1.7%
10	Master Creating GmbH	425,913	1.6%
11	Other Shareholders	9,441,656	35.8%

The total number of shares per September 30, 2019, was 26,339,453.

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 September 30, 2019 was 259 SEK/share.

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

Stillfront's 2019/2024 bond with ISIN: SE0012728830 is traded on Frankfurt Stock Exchange.

## 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. No material changes in accounting principles have taken place since the Annual Report for 2018, other than IFRS 16.

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, excluding Kixeye.

<b>MSEK</b>	<b>Opening balance 2019-01-01</b>
Right-of-use assets	51
Lease liabilities	51
<b>Estimated Annual Profit and Loss Effect on 2019 based on transition to IFRS 16 Leases</b>	
<b>MSEK</b>	
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.

## Declaration

This interim report gives a true and fair view of the company's and the group's operations, financial position and results of operations, and describes significant risks and uncertainties faced by the company and the companies in the Group.

Stockholm, November 8 2019

Jörgen Larsson, CEO, Stillfront Group

## Auditor's report

Stillfront Group AB (publ) corp. reg. no. 556721-3078

### **Introduction**

We have reviewed the condensed interim financial information (interim report) of Stillfront Group AB (publ) ("the Parent Company") and its subsidiaries (together "the Group") as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the condensed interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 8 November 2019

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg

Authorized Public Accountant



# Financial reports

## Income statement in summary, Group

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
<b>Revenues</b>						
Net revenue	517	315	1,415	959	1,782	1,325
Work performed by the company for its own use	59	31	135	96	157	118
Other revenue	1	4	6	8	5	7
<b>Operating expenses</b>						
Other external expenses	-273	-172	-774	-569	-942	-738
Personnel expenses	-100	-58	-245	-171	-310	-236
Amortization of product development	-23	-19	-68	-64	-71	-67
Amortization of PPA items	-36	-8	-63	-25	-70	-32
Depreciation	-10	-4	-24	-4	-46	-26
Other expenses	1	-	-1	-	1	2
<b>Operating result</b>	<b>136</b>	<b>89</b>	<b>382</b>	<b>230</b>	<b>505</b>	<b>353</b>
<b>Result from financial items</b>						
Net financial items	-3	-16	-44	-38	-95	-89
<b>Result after financial items</b>	<b>133</b>	<b>72</b>	<b>338</b>	<b>192</b>	<b>410</b>	<b>265</b>
Taxes for the period	-22	-18	-84	-61	-130	-107
<b>Net result for the period</b>	<b>111</b>	<b>54</b>	<b>254</b>	<b>131</b>	<b>281</b>	<b>157</b>
<b>Other comprehensive income</b>						
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	104	9	139	7	135	2
<b>Total comprehensive income for period</b>	<b>216</b>	<b>63</b>	<b>393</b>	<b>137</b>	<b>415</b>	<b>159</b>
Net result for the period attributed to:						
Parent company shareholders	108	56	253	132	277	156
Non-controlling interest	3	-2	1	-1	3	1
<b>Period total comprehensive income</b>						
Parent company shareholders	211	64	391	138	410	157
Non-controlling interest	5	-1	2	-1	6	2
<b>Average number of shares</b>						
Undiluted	26,183,069	23,344,485	24,866,752	23,123,572	24,562,044	23,256,070
Diluted	26,278,846	23,501,101	24,946,487	23,256,493	24,634,037	23,386,780
<b>Net result per share attributable to the parent company shareholders</b>						
Undiluted, SEK/share	4.12	2.42	10.19	5.72	11.28	6.72
Diluted, SEK/share	4.11	2.40	10.15	5.69	11.25	6.68

## Balance sheet in summary, Group

MSEK	2019-09-30	2018-09-30	2018-12-31
Intangible non-current assets	3,428	1,546	2,179
Tangible non-current assets	61	8	14
Deferred tax assets	33	14	5
Current receivables	271	143	153
Cash and cash equivalents	385	152	246
<b>Total assets</b>	<b>4,178</b>	<b>1,864</b>	<b>2,598</b>
<b>Shareholders' equity</b>			
Shareholders' equity attributable to parent company's shareholding	1,963	961	1,081
Non-Controlling interest	18	13	15
<b>Total Shareholders' equity</b>	<b>1,980</b>	<b>974</b>	<b>1,096</b>
Deferred tax liabilities	273	80	102
Bond	1,084	491	588
Non-current liabilities	307	136	430
Current liabilities	534	183	382
<b>Total Liabilities and Shareholders' equity</b>	<b>4,178</b>	<b>1,864</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>32</b>	<b>-</b>	<b>31</b>	<b>64</b>	<b>-</b>	<b>64</b>
Net result for the period				132	132	-1	131
differences			7		7	1	8
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>132</b>	<b>139</b>	<b>-0</b>	<b>139</b>
Transactions with shareholders	16	1,114	-	-372	758	14	772
<b>Total transactions with shareholders</b>	<b>16</b>	<b>1,114</b>	<b>-</b>	<b>-372</b>	<b>758</b>	<b>14</b>	<b>772</b>
<b>Closing balance</b>							
<b>2018-09-30</b>	<b>16</b>	<b>1,146</b>	<b>7</b>	<b>-208</b>	<b>961</b>	<b>14</b>	<b>974</b>
<b>Opening balance</b>							
<b>2019-01-01</b>	<b>16</b>	<b>1,248</b>	<b>1</b>	<b>-184</b>	<b>1,081</b>	<b>16</b>	<b>1,096</b>
Net Result for the period				253	253	1	254
Foreign currency translation differences			138	-	138	2	139
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>253</b>	<b>391</b>	<b>2</b>	<b>393</b>
<b>Total transactions with shareholders</b>	<b>2</b>	<b>489</b>			<b>491</b>		<b>491</b>
<b>Closing balance</b>							
<b>2019-09-30</b>	<b>18</b>	<b>1,736</b>	<b>139</b>	<b>69</b>	<b>1,962</b>	<b>18</b>	<b>1,980</b>

## Cash flow in summary, Group

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
<b>Operations</b>						
Result after financial items	133	79	338	200	407	270
Adj for items not in cash flow etc	117	26	214	95	247	129
Tax paid	-46	-30	-70	-66	-101	-97
<b>Cash flow from operations before changes in working capital</b>	<b>204</b>	<b>74</b>	<b>481</b>	<b>229</b>	<b>554</b>	<b>301</b>
<b>Changes in working capital</b>						
receivables	8	-6	-79	-35	-72	-28
Increase (+)/Decrease(-) in operating liabilities	-104	54	-66	-34	-96	-64
<b>Cash flow from changes in working capital</b>	<b>-96</b>	<b>47</b>	<b>-145</b>	<b>-69</b>	<b>-168</b>	<b>-92</b>
<b>Cash flow from operations</b>	<b>108</b>	<b>121</b>	<b>336</b>	<b>160</b>	<b>386</b>	<b>210</b>
<b>Investment activities</b>						
Acquisition of business	-4	-11	-999	55	-1,177	-124
Acquisition of tangible assets	-0	-0	-3	-1	-5	-4
Acquisition of intangible assets	-59	-36	-164	-106	-218	-160
<b>Cash flow from investment activities</b>	<b>-63</b>	<b>-48</b>	<b>-1,165</b>	<b>-52</b>	<b>-1,401</b>	<b>-288</b>
<b>Financing activities</b>						
New debt	0	-	500	382	1,247	1,129
Repayment debt	-31	-4	-31	-	-531	-500
Credit facilities	37	-	2	-	37	35
Issue cost	-	-	-17	-52	-18	-53
Warrants	-	1	-	1	-0	1
Nyemission	-	-	500	-	500	-
Payment to shareholders (incl. dividend paid)	-	-	-	-85	-	-85
Dividend reversed acquisition	-	-	-	-388	-0	-388
<b>Cash flow from financing activities</b>	<b>6</b>	<b>-3</b>	<b>954</b>	<b>-141</b>	<b>1,236</b>	<b>140</b>
<b>Cash flow for the period</b>	<b>51</b>	<b>70</b>	<b>126</b>	<b>-33</b>	<b>221</b>	<b>62</b>
<b>Cash and cash equivalents at start of period</b>	<b>324</b>	<b>80</b>	<b>246</b>	<b>176</b>	<b>80</b>	<b>176</b>
Translation differences	10	2	14	9	13	9
<b>Cash and cash equivalents at end of period</b>	<b>385</b>	<b>152</b>	<b>385</b>	<b>152</b>	<b>314</b>	<b>246</b>

## Parent company income statement, summary

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
<b>Revenue</b>						
Net revenue	9	18	25	26	18	19
<b>Operating expenses</b>						
Other external expenses	-10	-2	-44	-7	-50	-12
Personnel expenses	-5	-2	-15	-8	-19	-13
<b>Operating result</b>	<b>-7</b>	<b>14</b>	<b>-34</b>	<b>11</b>	<b>-51</b>	<b>-5</b>
<b>Financial items</b>						
Financial income	1	-	2	3	2	3
Financial expenses	-16	-14	-44	-32	-94	-82
<b>Total financial items</b>	<b>-15</b>	<b>-14</b>	<b>-42</b>	<b>-29</b>	<b>-92</b>	<b>-79</b>
<b>Result after financial items</b>	<b>-22</b>	<b>0</b>	<b>-76</b>	<b>-17</b>	<b>-143</b>	<b>-84</b>
<b>Profit before tax</b>	<b>-22</b>	<b>0</b>	<b>-76</b>	<b>-17</b>	<b>-143</b>	<b>-84</b>
Tax for the period	19	-0	19	3	5	-10
<b>Net result for the period</b>	<b>-3</b>	<b>-0</b>	<b>-57</b>	<b>-15</b>	<b>-137</b>	<b>-95</b>

## Parent company balance sheet, summary

MSEK	2019-09-30	2018-09-30	2018-12-31
Intangible assets	1	-	1
Tangible non-current assets	0	-	-
Financial non-current assets	5,249	3,924	4,399
Deferred tax	18	-	-
Current receivables	24	29	35
Cash and bank	0	23	26
<b>Total assets</b>	<b>5,292</b>	<b>3,975</b>	<b>4,461</b>
Shareholders' equity	3,760	3,292	3,315
Provisions for earnouts	291	71	406
Non-current liabilities	99	64	-
Bond	1,084	491	588
Current liabilities – Overdraft	35	52	35
Other current liabilities	23	5	117
<b>Total liabilities &amp; Shareholders' equity</b>	<b>5,292</b>	<b>3,975</b>	<b>4,461</b>

## Key figures, Group

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
Unadjusted revenues	518	318	1,410	960	1,777	1,326
Deferred revenue	-1	-3	5	-1	5	-1
Net revenue	517	315	1,415	959	1,782	1,325
EBITDA	205	120	536	323	692	479
<i>EBITDA margin %</i>	<i>40</i>	<i>38</i>	<i>38</i>	<i>34</i>	<i>39</i>	<i>36</i>
EBIT	136	89	382	230	505	353
<i>EBIT margin %</i>	<i>26</i>	<i>28</i>	<i>27</i>	<i>24</i>	<i>28</i>	<i>27</i>
Adjusted EBITDA*	208	120	559	329	720	490
<i>Adjusted EBITDA margin*, %</i>	<i>40</i>	<i>38</i>	<i>40</i>	<i>34</i>	<i>40</i>	<i>37</i>
Adjusted EBIT*	175	97	468	261	603	397
<i>Adjusted EBIT margin*, %</i>	<i>34</i>	<i>31</i>	<i>33</i>	<i>27</i>	<i>34</i>	<i>30</i>
Profit before tax	133	72	338	192	410	265
Net result	111	54	254	131	281	157
Adjusted Interest Coverage Ratio, x	6.8	9.9	6.8	9.9	6.8	5.9
Adjusted Leverage Ratio, x	1.18	1.06	1.18	1.06	1.18	1.06
Shareholders' equity per share undiluted, SEK	74.51	41.17	74.51	41.17	74.51	44.95
Shareholders' equity per share diluted, SEK	74.24	40.89	74.29	40.94	74.31	44.71
Earnings per share undiluted, SEK	4.12	2.42	10.19	5.72	11.28	6.72
Earnings per share diluted, SEK	4.11	2.40	10.15	5.69	11.25	6.68
No of shares end of period undiluted	26,339,453	23,352,915	26,339,453	23,352,915	26,339,453	24,048,240
No of shares end of period diluted	26,435,230	23,509,532	26,419,188	23,481,487	26,411,446	24,178,949
Average no of shares period undiluted	26,183,069	23,344,485	24,866,752	23,123,572	24,562,044	23,256,070
Average no of shares period diluted	26,278,846	23,501,101	24,946,487	23,256,493	24,634,037	23,386,780

\*Adjusted EBITDA defined as EBITDA excluding items affecting comparability. Adjusted EBIT defined as EBIT excluding items affecting comparability and amortization of PPA-items.

## Acquisitions

### 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
Provision for earnout	221
<b>Total purchase consideration</b>	<b>423</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 provision for earnout will depend on the EBIT development of the Company based on the years 2018, 2019 and 2020. The total provision for earnout cannot exceed 25 MEUR.

#### *Purchase price allocation analysis*

A purchase price allocation analysis of Playa Games is provided below.

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

Intangible non-current assets	146
Property, plant and equipment	4
Current receivables excl cash and bank	11
Cash and cash equivalents	35
Non-current liabilities	-
Deferred tax liabilities	-47
Current liabilities	-49
<b>Total net assets acquired excluding goodwill</b>	<b>99</b>
Goodwill	324
<b>Total net assets acquired</b>	<b>423</b>
Less	
Cash and cash equivalents	-35
Ordinary shares issued	-58
Provision for earnout	-221
Additional	-
Loan payment to former owner	33
<b>Net cash outflow on acquisition of business</b>	<b>142</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.

### 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 earnout consideration if certain EBITDA levels for the financial year 2019 are achieved. The earnout consideration is subject to a cap of USD 30 million. Kixeye was consolidated into Stillfront's consolidated financial reporting from 1 July 2019.

**MSEK****Purchase price**

Cash and cash equivalents	878
Ordinary shares issued	-
Provision for earnout	46
<b>Total purchase consideration</b>	<b>924</b>

***Preliminary purchase price allocation analysis***

A preliminary purchase price allocation analysis of Kixeye is provided below.

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

Intangible non-current assets	416
Property, plant and equipment	1
Current receivables excl cash and bank	34
Cash and cash equivalents	5
Non-current liabilities	-
Deferred tax liabilities	-112
Current liabilities	-46
<b>Total net assets acquired excluding goodwill</b>	<b>298</b>
Goodwill	626
<b>Total net assets acquired</b>	<b>924</b>
Less	
Cash and cash equivalents	-5
Ordinary shares issued	-
Provision for earnout	-46
<b>Net cash outflow on acquisition of business</b>	<b>874</b>



# Definitions

## *Key figures and alternative performance measures*

### **ARPMU**

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 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 IAC.

### **EBIT**

Profit before financial items and tax. Adjusted EBIT is EBIT excluding items affecting comparability and amortization of PPA, purchase price allocation-items

### **EBIT margin**

EBIT as a percentage of Net revenue. Adjusted EBIT margin is EBIT margin excluding items affecting comparability and amortization of PPA, purchase price allocation-items.

### **Empire**

Category of games based on the Empire brand.

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

Significant income statement items that are not included in the Group's normal recurring operations and which distort the comparison between the periods.

### **Interest Coverage Ratio**

Adjusted EBITDA divided by net financial items excluding revaluation of provision for earnouts for the past twelve months.

### **Adjusted Leverage ratio**

Net interest-bearing debt excluding earnout 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. Provisions for earnouts is not considered interest bearing in this context.

### **Organic growth**

The average increase in net revenues to prior period, excluding acquisitions.

### **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

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
<b>Items affecting comparability, IAC</b>						
<b>Revenue</b>						
Other	-	-	-	-	-	-
<b>Total IAC Revenues affecting EBIT</b>	-	-	-	-	-	-
<b>Costs</b>						
Transaction Costs	-	-	-20	-6	-25	-11
Other	-3	-	-3	-	-3	-
<b>Total IAC Costs affecting EBIT</b>	-3	-	-23	-6	-28	-11
<b>Total IAC affecting EBIT</b>	-3	-	-23	-6	-28	-11
<b>Financial income</b>						
Revaluation of earnouts	16	-	70	16	70	16
<b>Total IAC financial income</b>	16	-	70	16	70	16
<b>Financial costs</b>						
Revaluation of earnouts	-	-	-60	-22	-60	-22
<b>Total IAC financial costs</b>	-	-	-60	-22	-60	-22
<b>Total IAC affecting financial items</b>	16	-	11	-5	11	-5

**Revaluation of provisions for earnouts will from this quarter onwards be reclassified and impact the financial net. Prior periods have been restated.**

Q1 2018: 4 MSEK reclassified from Other revenue in Income statement to Financial net.

Q2 2018: 12 MSEK reclassified from Other revenue in Income statement to Financial net. -22 MSEK reclassified from Other expenses to Financial net.

Q2 2019: 54 MSEK reclassified from Other revenue in Income statement to Financial net. -60 MSEK reclassified from Other external expenses to Financial net.

### Adjusted EBITDA

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	2018 Jan-Dec
Operating result	136	89	382	230	505	353
Depreciations and amortizations	69	31	154	93	187	125
<b>Excluding</b>						
Items affecting comparability	3	-	23	6	28	11
<b>Adjusted EBITDA</b>	<b>208</b>	<b>120</b>	<b>559</b>	<b>329</b>	<b>720</b>	<b>490</b>

### Adjusted EBITDA, pro forma

MSEK	2019 Jan-Sep	2018 Jan-Sep
Adjusted EBITDA latest 12 months	720	366
<b>Including</b>		
EBITDA, latest 12 months, Acquired companies	187	15
<b>Adjusted EBITDA, pro forma</b>	<b>907</b>	<b>381</b>

**Adjusted EBIT**

MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	Jan-Dec 2018
Operating result	136	89	382	230	505	353
<b>Excluding</b>						
Items affecting EBIT comparability	3	-	23	6	28	11
Amortization of PPA items	36	8	63	63	70	32
<b>Adjusted EBIT</b>	<b>175</b>	<b>97</b>	<b>468</b>	<b>261</b>	<b>603</b>	<b>397</b>

**Adjusted Interest Coverage Ratio**

MSEK	2019 Jul-Sep	2018 Jul-Sep	Last 12 months	Jan-Dec 2018
Adjusted EBITDA latest 12 months	720	366	720	490
<b>Divided by</b>				
Net financial items latest 12 months	95	42	95	89
Total IAC affecting financial items latest 12 months	11	-5	11	-5
<b>Adjusted interest coverage ratio, x</b>	<b>6.8</b>	<b>9.9</b>	<b>6.8</b>	<b>5.9</b>

**Adjusted Interest Coverage Ratio, pro forma**

MSEK	2019 Jan-Sep	2018 Jan-Sep
Adjusted EBITDA latest 12 months, pro forma	907	381
<b>Divided by</b>		
Net financial items latest 12 months	95	42
Total IAC affecting financial items latest 12 months	11	-5
<b>Adjusted interest coverage ratio, x, pro forma</b>	<b>8.6</b>	<b>10.3</b>

**Adjusted Leverage Ratio**

MSEK	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	Jan-Dec 2018
Bond	1,084	491	1,084	588
Other interest-bearing liabilities	152	48	152	179
Cash and cash equivalents	-385	-152	-385	-246
<b>Total net debt</b>	<b>851</b>	<b>386</b>	<b>851</b>	<b>521</b>
<b>Divided by</b>				
Adjusted EBITDA latest 12 months	720	366	720	490
<b>Adjusted leverage ratio</b>	<b>1.18</b>	<b>1.06</b>	<b>1.18</b>	<b>1.06</b>

**Adjusted Leverage Ratio, pro forma**

MSEK	2019 Jan-Sep	2018 Jan-Sep
Bond	1,084	491
Other interest-bearing liabilities	152	48
Cash and cash equivalents	-385	-152
<b>Total net debt</b>	<b>851</b>	<b>386</b>
<b>Divided by</b>		
Adjusted EBITDA latest 12 months, pro forma	907	381
<b>Adjusted leverage ratio, pro forma</b>	<b>0.94</b>	<b>1.01</b>

### Shareholders' Equity Per Share Undiluted, SEK

SEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	Jan-Dec 2018
Shareholders' equity attributable to parent company's shareholders	1,963	961	1,963	961	1,963	1,081
<i>Divided by</i>						
No of shares end of period undiluted	26,339,453	23,352,915	26,339,453	23,352,915	26,339,453	24,048,240
<b>Shareholders' equity per share undiluted, SEK</b>	<b>74.51</b>	<b>41.17</b>	<b>74.51</b>	<b>41.17</b>	<b>74.51</b>	<b>44.95</b>

### Shareholders' Equity Per Share Diluted, SEK

SEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	Jan-Dec 2018
Shareholders' equity attributable to parent company's shareholders	1,963	961	1,963	961	1,963	1,081
<i>Divided by</i>						
No of shares end of period diluted	26,435,230	23,509,532	26,419,188	23,481,487	26,411,446	24,178,949
<b>Shareholders' equity per share diluted, SEK</b>	<b>74.24</b>	<b>40.89</b>	<b>74.29</b>	<b>40.94</b>	<b>74.31</b>	<b>44.71</b>

### Earnings Per Share Undiluted, SEK

SEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	Jan-Dec 2018
Net result for the period attributed to parent company's shareholders, MSEK	108	56	253	132	277	156
<i>Divided by</i>						
Average no of shares period undiluted	26,183,069	23,344,485	24,866,752	23,123,572	24,562,044	23,256,070
<b>Earnings per share undiluted, SEK</b>	<b>4.12</b>	<b>2.42</b>	<b>10.19</b>	<b>5.72</b>	<b>11.28</b>	<b>6.72</b>

### Earnings Per Share Diluted, SEK

SEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	Last 12 months	Jan-Dec 2018
Net result for the period attributed to parent company's shareholders, MSEK	108	56	253	132	277	156
<i>Divided by</i>						
Average no of shares period diluted	26,278,846	23,501,101	24,946,487	23,256,493	24,634,037	23,386,780
<b>Earnings per share diluted, SEK</b>	<b>4.11</b>	<b>2.40</b>	<b>10.15</b>	<b>5.69</b>	<b>11.25</b>	<b>6.68</b>

# Financial calendar

Year End Report 2019	19 February 2020
Interim Report January-March 2020	6 May 2020
Annual General Meeting 2019	14 May 2020
Interim Report April-June 2020	12 August 2020
Interim Report July-September 2020	11 November 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 November 8, 2019 at 07.00 CET.*

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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 650 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)

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