

# Acquisition of Candywriter

April 23, 2020



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Stillfront has prepared unaudited preliminary condensed pro forma financials for 2019, from which certain selected pro forma information is presented in this presentation, with the purpose of describing a hypothetical financial result as if the Transaction had been completed per January 1, 2020. Stillfront has not completed the detailed valuation analyses necessary to arrive at the final estimates of the fair market value of the assets to be acquired and the liabilities to be assumed in connection with the acquisition of Candywriter or of those acquired in connection with Stillfront's acquisition of Storm8, which was completed on February 28, 2020. The preliminary allocation of the purchase price of the acquisition used in this unaudited preliminary pro forma information is based upon Stillfront's preliminary estimates at the date of preparation of this preliminary pro forma information. As a result of the finalization of this allocation after the acquisition's final completion, Stillfront expects to make adjustments to the acquisition analysis, where some of these adjustments could be material. Differences between the preliminary and the final acquisition analysis could have a material impact on Stillfront's pro forma financial performance. The financial information included in this presentation is condensed, preliminary, unaudited and subject to revision upon completion of the Company's closing and audit processes. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the financial information, opinions or conclusions expressed herein.

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## TRANSACTION STRUCTURE

### DEAL SUMMARY

- **Initial transaction consideration of USD 74.4m on cash and debt free basis, of which**
  - Cash payment of USD 36.9m
  - Newly issued Stillfront shares valued at USD 37.5m at VWAP during seven trading days preceding the date of signing (excluding the date of signing)
    - 18 months lock-up from the date of receipt of the shares
- **Earn-out of an aggregate maximum of USD 120.6m and total transaction consideration capped at USD 195m,**
  - Earn-outs based on EBIT outcome of 2020, 2021, 2022 respectively
  - All earn-out tranches paid in 50% cash and 50% newly issued Stillfront shares
  - 12 months lock-up from the date of receipt of the shares
  - Conservative total implied EV/EBIT multiple seen in context of expected high growth
- **Envisaged funding structure for the USD 36.9m upfront cash payment**
  - Fully financed from the existing cash at hand and RCF with Nordea and Swedbank
  - Indicative adjusted leverage ratio post transaction of ~1.2x pro forma
- **Purchase price adjustments**
  - Customary enterprise value to equity value adjustment for net cash/debt and two-way net working capital

### CONTEMPLATED TRANSACTION STRUCTURE

Purchase price table	USDm	EV/Adj.EBIT FY 19
<b>Total upfront Transaction consideration</b>	<b>74.4</b>	<b>4.9</b>
Consideration shares	37.5	
Consideration cash	36.9	
<b>Maximum earn-out consideration</b>	<b>120.6</b>	
Consideration shares	60.3	
Consideration cash	60.3	
<b>Total maximum Transaction consideration</b>	<b>195</b>	<b>12.8</b>

# CANDYWRITER – A US BASED MOBILE GAMES DEVELOPER

## CANDYWRITER AT A GLANCE

- Founded 2006, Candywriter is a pioneering mobile games developer and publisher focusing on casual and mash-up games with longevity
- Candywriter has created several successful apps and casual games over the years, including word games Letter Soup and Letter Fridge, Adult Coloring Book, What's the Difference?
- BitLife, Candywriter's latest unique mash-up game, launched in 2018 (iOS), 2019 (Android), contributed c. 85% of bookings 2019
- Lean and efficient team of 13 FTE:s with head office in Miami, US
- Several functions outsourced e.g. marketing and back-end development
- 100% owned by the founders: Kevin O'Neil, CEO and Nadir Khan, COO

## KEY PERSONNEL

**Kevin O'Neil**  
CEO &  
Co-founder

Leads engineering team

**Nadir Khan**  
COO &  
Co-founder

Manages Miami HQ

**Gabrielle Bradford**  
Director of Ad  
Operations

Manages advertising  
operations and third  
party relationships

## GAMES PORTFOLIO



## TRACK RECORD

**42m**  
Cumulative  
downloads to date

**\$26m<sup>1</sup>**  
FY 2019 Bookings

**~70%**  
Organic  
Installs

**1.2m<sup>2</sup>**  
DAU

**\$15m<sup>1</sup>**  
FY 2019 EBIT

**13**  
Full-time employees

**7.8m<sup>2</sup>**  
MAU

**2006**  
Founding year

Source:

- 1) IFRS accounts
- 2) March 2020

## Build size, diversify portfolio and broaden market

- Adds USD 26m in Net Revenue and USD 15m EBIT 2019
- In total 42m cumulative downloads to date, 7.8m MAUs, 1.2m DAUs as per March 2020
- BitLife top 5 most downloaded games on iOS in 2019 and still in a growth phase with substantial upward potential
- Innovative mash-up game concept with untapped potential
- Approx. 80% of BitLife's audience are between 18-34 years, partially complementing Stillfront's current audience with young adults 18-25
- Impressive social media presence

## High development and synergy potential

- Localization & culturalization opportunities: the game is currently only available in English
- Extensive IGA, in-game advertising expertise:
  - diversification of revenue sources
  - opportunity to create IGA Centre of Excellence
- Marketing and analytics currently outsourced – opportunity to insource via Stillfront's Centre of Excellence
- Opportunity to expand live-ops – leveraging on Stillfront's expertise

# HISTORY OF CANDYWRITER

**C1**  
founded  
in  
2006

2006



Invited by Apple  
into original iPhone  
SDK beta program

2008

**Imagine Poker**  
one of first 552  
apps in July 2008



2008

**What's the  
Difference**  
organically  
achieves #1 overall  
free app in UK, #2  
overall in US



2014

**Letter Soup**  
pioneers' new style  
of word game that  
dominates genre  
for years to come



2016

**BitLife**  
Unique text-based  
life simulator  
narrative game.  
One of top 5 games  
in the US on iOS



H2 2018

**What's the Pic**  
pioneers  
incentivized  
sharing to  
Facebook; Top 5  
app in US



2013

**Adult Coloring  
Book**  
is one of the first  
two adult coloring  
book apps



2015

**Letter Fridge**  
is a physics-based  
word game that  
earns Game of the  
Day from Apple



2017

## BITLIFE – A HIDDEN GEM

- Text-based life simulation game currently unique in the market
- Set up to tackle the need of constantly adding new content, unlike other story games, not limited by costly graphic asset production
- Complex simulation engine difficult to clone
- Only available in English: US and other English-speaking countries are dominating markets
- >60% of revenue generated from IGA, in-game advertising

## GAME WITH GROWTH POTENTIAL AND LONGEVITY

- BitLife demonstrates clear characteristics of an evergreen title
- Current marketing is highly profitable at scale
- Major potential to expand marketing efforts to non-English-speaking countries with Stillfront's expertise
- Long-term-retention is due to very effective pipeline allowing frequent content updates

## Casual

- Low CPI
- High short-term retention
- High organic installs
- High share of IGA revenue
- High share of female players



## Mid-core / Simulation

- Build for Live-ops and frequent content expansion
- Stronger longevity
- Very dedicated player base
- Expanding IAP potential



**GENRE  
MASH-UP**

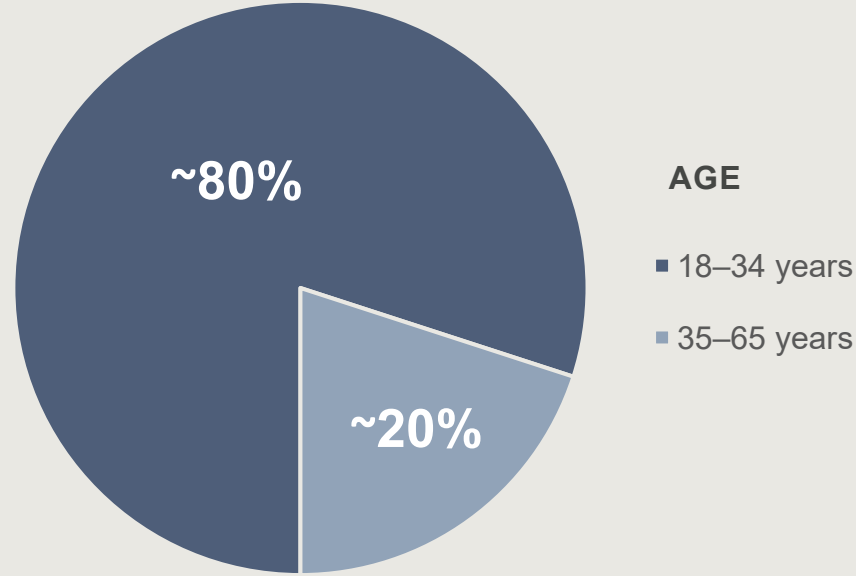
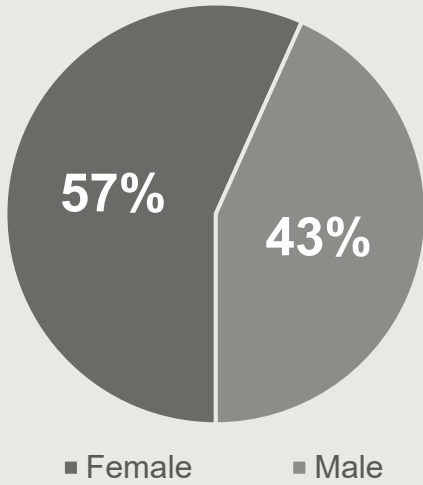
## Leveraging the strength of both genres

- BitLife mixes Casual and Mid-core elements to create a unique game that is highly successful and hard to copy
- At a first glance the game can appear as casual, but the depth, complexity and Live-ops lead to long term-retention that is comparable to our mid-core titles

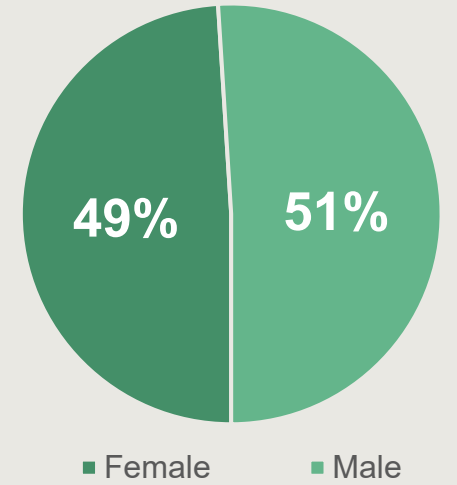


## DEMOGRAPHICS

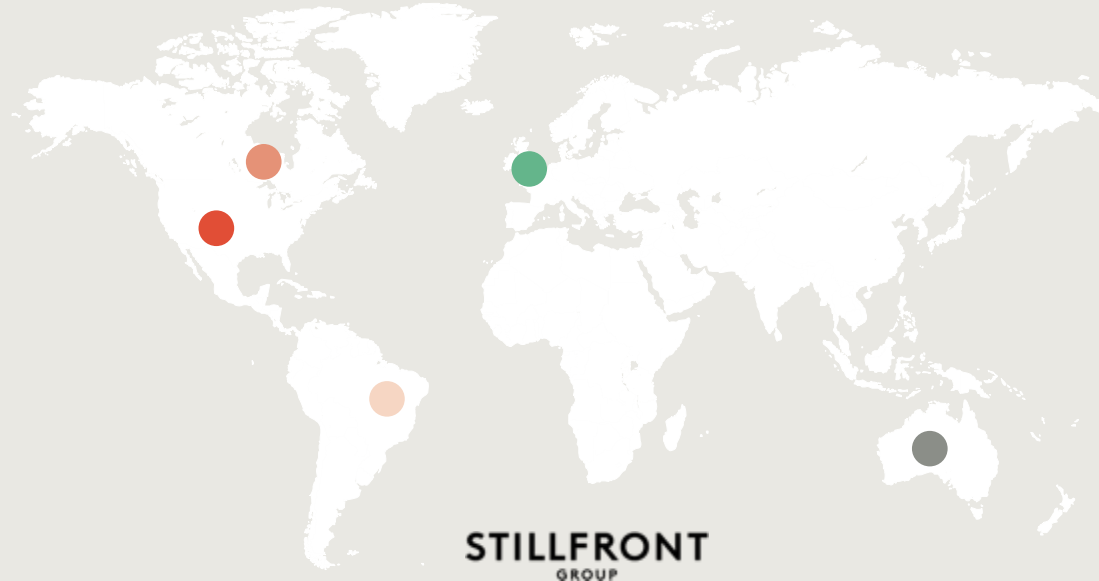
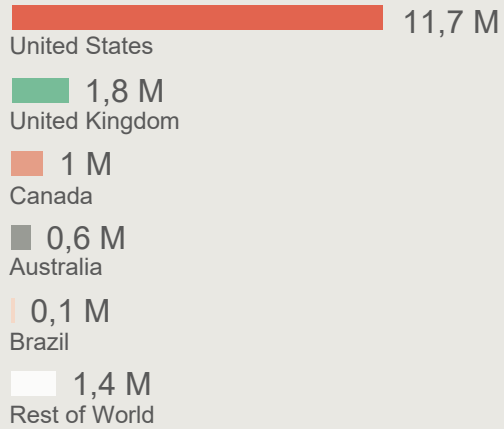
### iOS



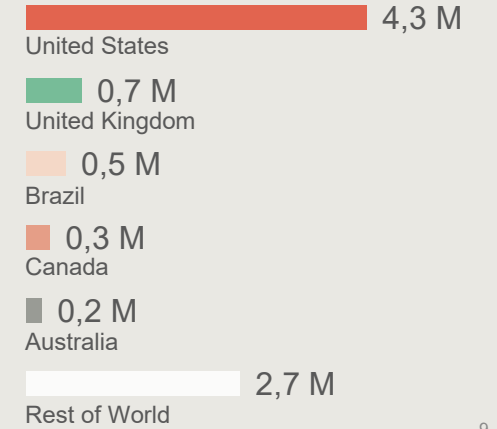
### ANDROID



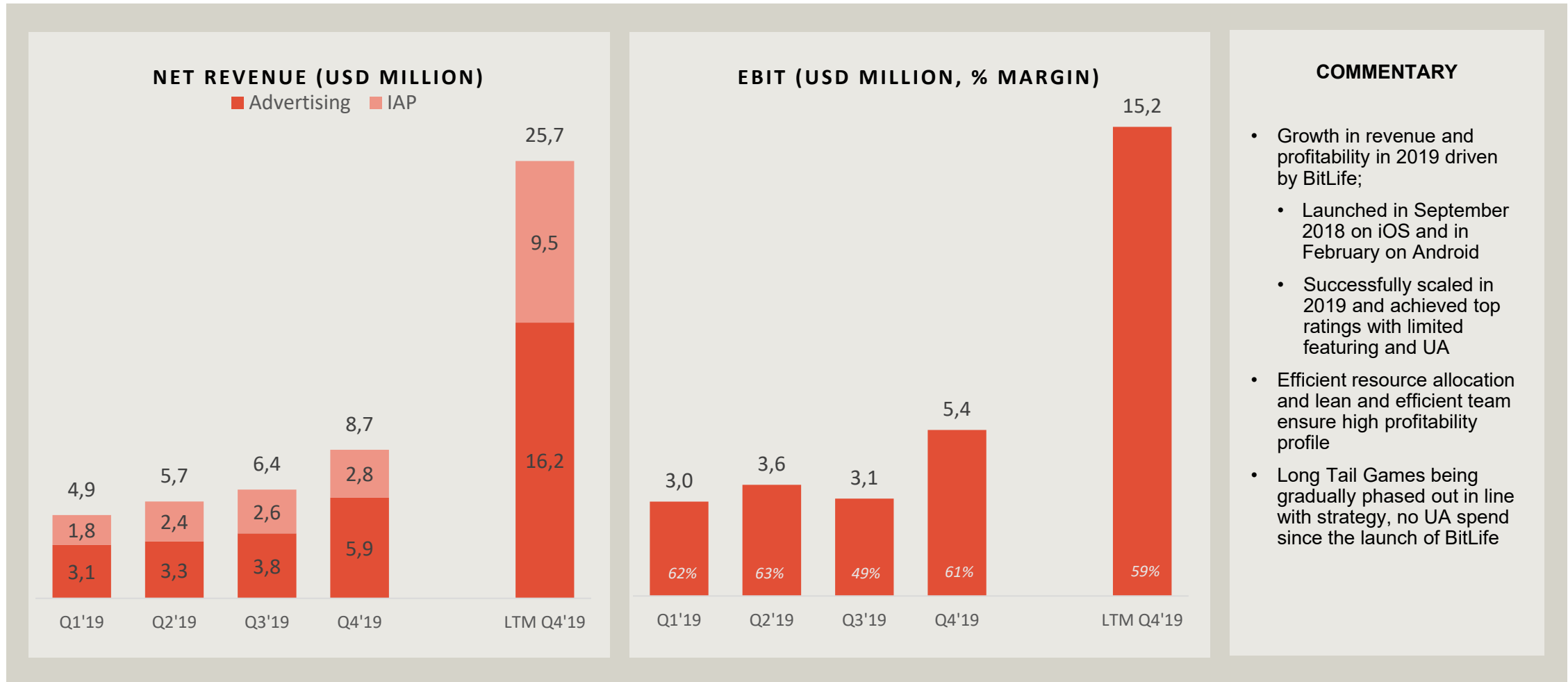
### iOS APP UNITS BY TERRITORY



### ANDROID APP UNITS BY TERRITORY



## FINANCIAL HIGHLIGHTS



Note: Data shown is based on Candywriter reported results pro forma in accordance with IFRS standards

## PRO FORMA INCOME STATEMENT

### PRELIMINARY PRO FORMA INCOME STATEMENT FY 2019

IFRS Unaudited SEK m	Stillfront Group (As reported) FY 2019	Storm8 (IFRS) FY2019	Stillfront Group (as reported) and Storm 8 – Aggregated FY2019	Candywriter (IFRS) FY2019	Stillfront Group (Pro forma) FY 2019
Net revenues	1 967	1 127	3 094	244	3 337
Work performed by the company for its own use	197	76	273	6	279
Other revenue	11	0	11	0	11
<b>Total Revenues</b>	<b>2 175</b>	<b>1 203</b>	<b>3 378</b>	<b>250</b>	<b>3 627</b>
<b>EBITDA<sup>1</sup></b>	<b>740</b>	<b>605</b>	<b>1 345</b>	<b>128</b>	<b>1 473</b>
<i>EBITDA margin</i>	38%	54%	43%	53%	44%
<b>EBIT<sup>2,3</sup></b>	<b>517</b>	<b>374</b>	<b>891</b>	<b>69</b>	<b>960</b>
<i>EBIT margin</i>	26%	33%	29%	28%	29%
<b>Adj. EBITDA<sup>4</sup></b>	<b>768</b>	<b>663</b>	<b>1 431</b>	<b>144</b>	<b>1 575</b>
<i>Adj. EBITDA margin<sup>3</sup></i>	39%	59%	46%	59%	47%
<b>Adj. EBIT<sup>5</sup></b>	<b>645</b>	<b>644</b>	<b>1 289</b>	<b>143</b>	<b>1 432</b>
<i>Adj. EBIT margin<sup>4</sup></i>	33%	57%	42%	59%	43%

### COMMENTARY

The transaction continues to create a further diversified Group (FY 2019 pro forma figures):

- Net Revenues increase by ~8%
- Adj. EBITDA increases by ~10%
- Adj. EBIT increases by ~11%
- Adj. EBIT margin 43%
- Dilution upon transaction 2.2%

*Preliminary pro forma financials with the purpose of describing hypothetical financial results after the transactions. All numbers are preliminary and unaudited  
The preliminary pro forma financial information does not include the acquisition of Kixeye, Inc, prior to its consolidation date in the Stillfront Group  
The pro forma financials are presented using the average USD/SEK FX rate for the period 1 January 2019 – 31 December 2019 which was 9.46*

Note: 1) Pro forma EBITDA contains SEK -43m for Storm8 and SEK -16m for Candywriter relating to estimated advisory transaction costs

2) Pro forma EBIT contains SEK -256m for Storm8 and SEK -74m for Candywriter relating to amortization of Purchase Price Allocation (“PPA”) items and estimated advisory transaction costs

3) The preliminary pro forma financial information does not include any potential accounting effects of performance or retention bonuses or similar incentives to Storm8 key personnel

4) Adjusted EBITDA is EBITDA adjusted for Items Affecting Comparability (“IAC”). Adjusted EBITDA margin is EBITDA margin adjusted for IAC

5) Adjusted EBIT is EBIT adjusted for IAC and excluding amortization of PPA-related items. Adjusted EBIT margin is EBIT margin adjusted for IAC and excluding amortization of PPA-related items

## PRO FORMA BALANCE SHEET

### PRELIMINARY PRO FORMA BALANCE SHEET PER 31 Dec 2019

IFRS Unaudited SEK m	Stillfront Group (As reported) FY 2019	Storm8 (IFRS) FY 2019 incl adjustment	Candy- writer (IFRS) FY 2019	Adjustments Candywriter FY 2019	Stillfront Group (Pro forma) 31 Dec 2019
Intangible non-current assets <sup>2</sup>	3 293	4 061	7	1 551	8 912
Tangible non-current assets	76	23	0	2	101
Deferred tax assets	71	8	0	0	79
Current receivables	251	86	44	0	380
Cash and cash equivalents <sup>3,4</sup>	342	22	19	0	383
<b>Total assets</b>	<b>4 033</b>	<b>4 201</b>	<b>69</b>	<b>1 553</b>	<b>9 856</b>
Shareholders' equity attributable to parent company <sup>1</sup>	1 941	2 035	46	283	4 305
Non-Controlling interest	18	0	0	0	18
<b>Total Shareholder's equity</b>	<b>1 959</b>	<b>2 035</b>	<b>46</b>	<b>283</b>	<b>4 323</b>
Deferred tax liability	251	277	0	100	627
Non-current liabilities <sup>2</sup>	1 309	1 763	0	1 154	4 226
Current liabilities	515	126	24	16	681
<b>Total Liabilities and Shareholders' equity</b>	<b>4 033</b>	<b>4 201</b>	<b>69</b>	<b>1 553</b>	<b>9 856</b>

### COMMENTARY

- Intangible assets increase with ~SEK 1.6bn, whereof ~SEK 1.2bn relate to goodwill
- Increase in non-current liabilities mainly consists of provisions for earnouts and debt financing as part of the transaction
- Adjusted Leverage Ratio, pro forma approximately 1.2x

*Preliminary pro forma financials with the purpose of describing hypothetical financial results after the transactions. All numbers are preliminary and unaudited. The pro forma financials are presented using the closing USD/SEK FX rate at 31 December 2019 which was 9.32*

Note: 1) The Storm8 pro forma includes SEK 1 305m of equity raised as part of the transaction minus of transaction fees

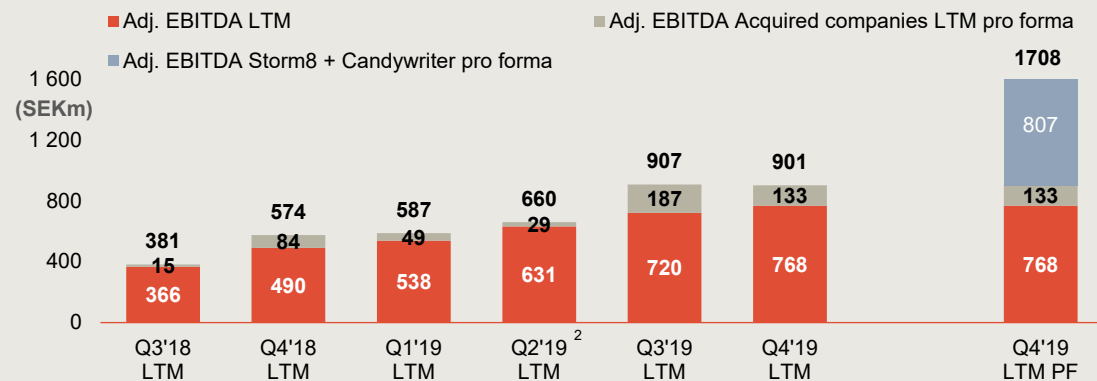
2) The pro forma amounts for Storm8 assumes full earnouts and does not assume amendments to accounting value of the consideration based on share price at close. Earnout for Candywriter is based on estimated EBIT levels for the years FY 2020-FY 2022

3) The preliminary pro forma financial information does not include any potential accounting effects of performance or retention bonuses or similar incentives to Storm8 key personnel

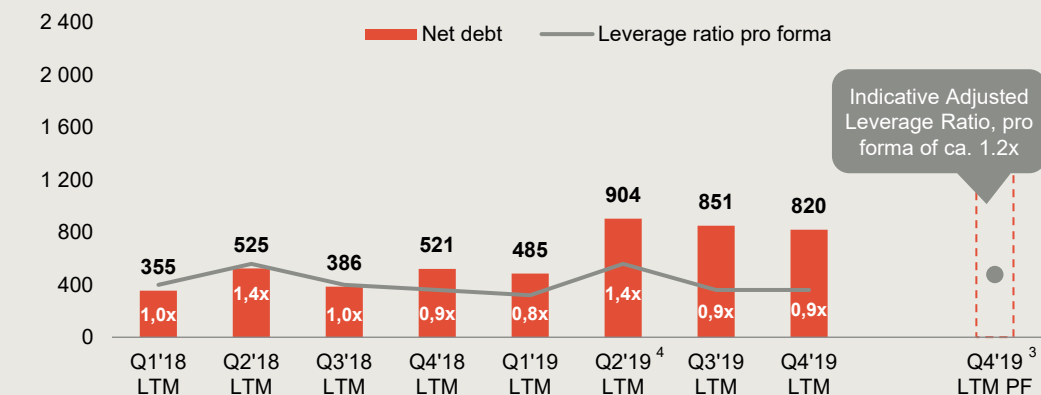
4) Storm8 and Candywriter amounts adjusted to agreed cash on close of USD 2m respectively

## HIGHLY CASH GENERATIVE BUSINESS WITH A ROBUST FUNDING PLATFORM

### ADJ. EBITDA GROWTH<sup>1</sup>



### CONSERVATIVE LEVERAGE



### DEBT PROFILE

Debt source	Commitment	Outstanding amount	Maturity
Senior Unsecured Bond Loan	-	SEK 600m	Nov 2022
Senior Unsecured Bond Loan	-	SEK 1 000m	June 2024
Senior Unsecured Revolving Credit Facility	SEK 1,600m	N/A <sup>5</sup>	July 2023

### KEY HIGHLIGHTS

- Highly cash generative business with high debt service capacity
- Leverage at conservative levels, continuously below the leverage target of 1.5x, despite recent high acquisition activity
- Proven access to both capital markets funding and bank financing with a well-diversified maturity profile
- Fully committed RCF of SEK 1.6bn (of which only parts will be utilized at closing of the acquisition of Storm8 and Candywriter) with a tenor of 3.5 years has secured continued high financial flexibility

Note: 1) Adjusted EBITDA is EBITDA adjusted for Items Affecting Comparability ("IAC")

2) Adj. EBITDA excluding EBITDA contribution from Kixeye

3) Pro forma includes Storm8 and Candywriter

4) Leverage ratio reflects full debt funding for the acquisition of Kixeye, but excludes the EBITDA contribution from Kixeye

5) Updated by Q1 2020. To be partially drawn in acquisition of Storm8 and Candywriter

## CREATING A FREE-TO-PLAY POWERHOUSE

- **2010** A merger of On Golf Gamerock, VOIPlay, Stillfront Verrano and Coldwood Interactive Stillfront Group was founded
- **2012** Acquisition of Power Challenge
- **2013** Acquisition of Bytro Labs
- **2014** Acquisition of Dorado Games
- **2016** Acquisition of Babil Games and Simutronics
- **2017** Acquisition of eRepublik Labs and OFM Studios
- **2018** Acquisition of Goodgame Studios, Imperia Online and Playa Games
- **2019** Acquisition of Kixeye
- **2020** Acquisition of Storm8 and Candywriter

### ACQUISITIONS



- Latest acquisitions: Storm8 and Candywriter – significantly increased Stillfront’s addressable market
- Mirroring the industry composition, solid presence in largest genres Mid Core and Casual
- Highly diversified portfolio
  - Strategy
  - Simulation, RPG and Action
  - Casual & Mash-up
- Positive scaling – 14 studios part of the Group
- Network of Centre of excellences continuously growing



STILLFRONT GROUP

