

A leading free-to-play powerhouse

Interim report

First Quarter 2020



TODAY'S PRESENTERS



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STILLFRONT AT A GLANCE



A leading free-to-play powerhouse of 14 gaming studios creating significant operational synergies

9.8
million

9.8 million MAUs and 2.2 million DAUs including Storm8 (one month), excluding Candywriter



A diverse and evolving game portfolio with two common themes; loyal users and long lifecycle games

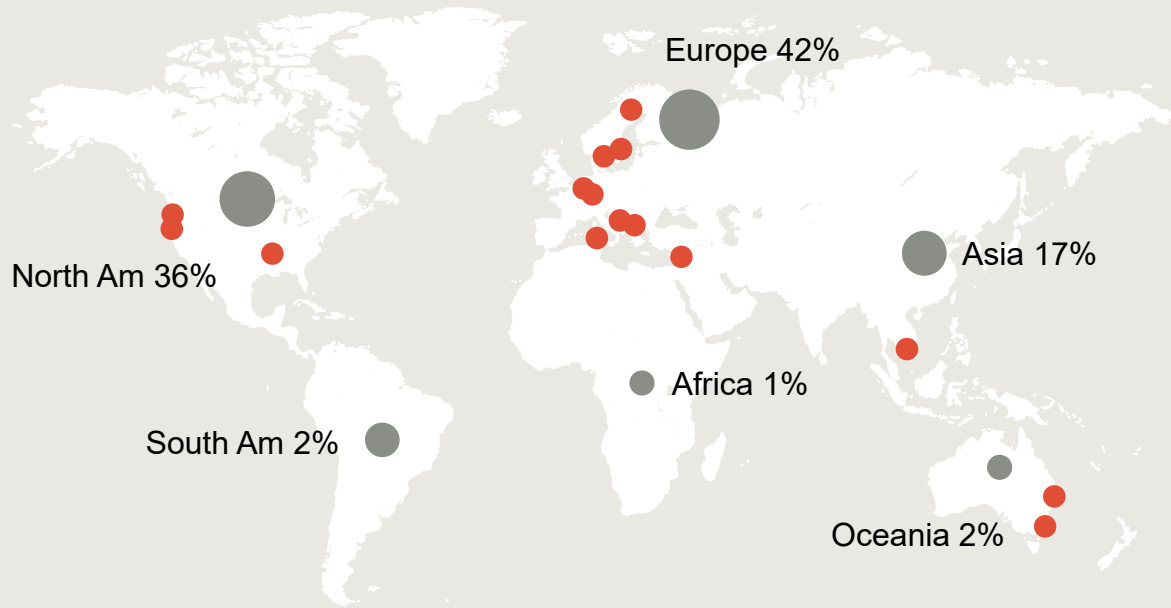


Main markets by revenue are US, Germany, MENA, UK and France

+750
professionals

Headquartered in Stockholm with a group of 14 studios operating in Australia, Bulgaria, Canada, Germany, Jordan, Malta, Romania, Sweden, United States and Vietnam.

GLOBAL PRESENCE



- Sales
- Offices

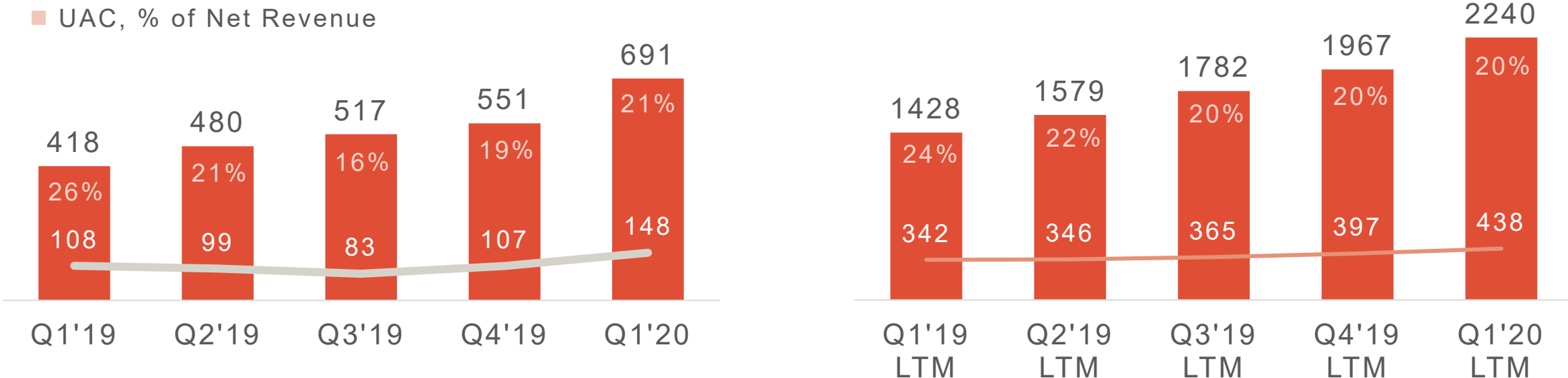
Note: Candywriter not included.

14 GAME STUDIOS



NET REVENUE, UAC DEVELOPMENT

■ Net Revenue, MSEK
 ■ UAC, MSEK
 ■ UAC, % of Net Revenue



Net revenue growth of

65%

YoY

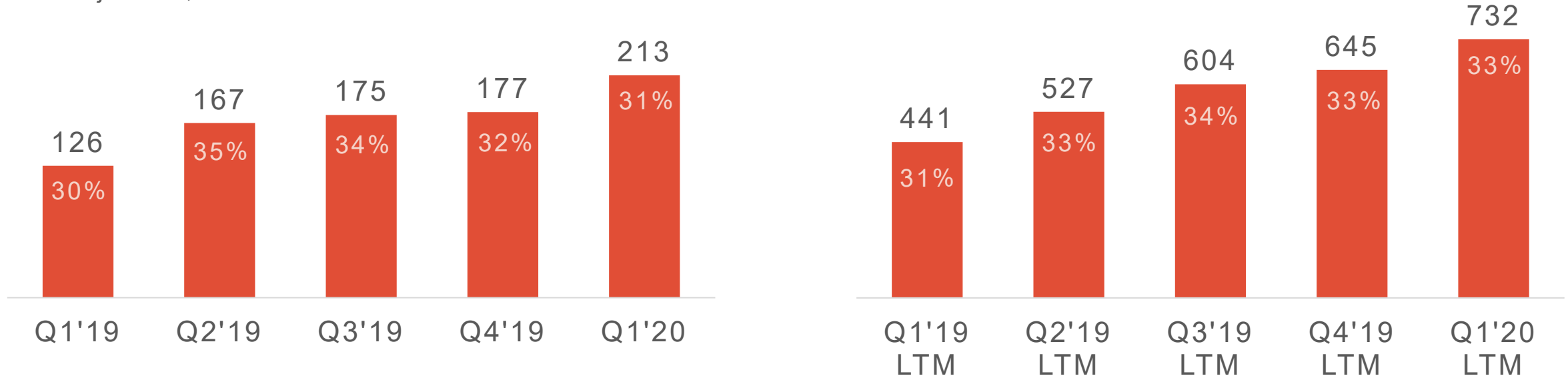
UAC in relation to revenue

21%

- Revenue growth driven by
 - Acquired studios Kixeye and Storm8
 - Solid organic growth – high gaming activity across the portfolio
- High return on user acquisition, paired with record spending levels

ADJ. EBIT DEVELOPMENT

- Adj. EBIT, MSEK
- Adj. EBIT, % of Net Revenue



Adj. EBIT growth of

69%

YoY

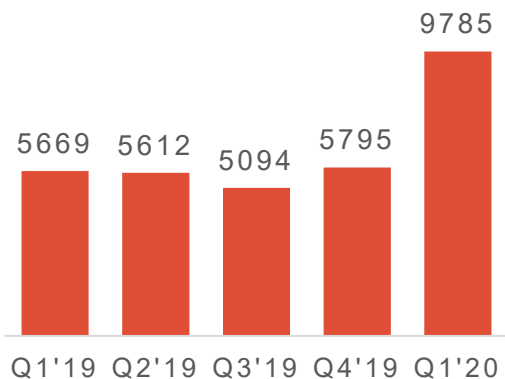
Adj. EBIT in relation to revenue

31%

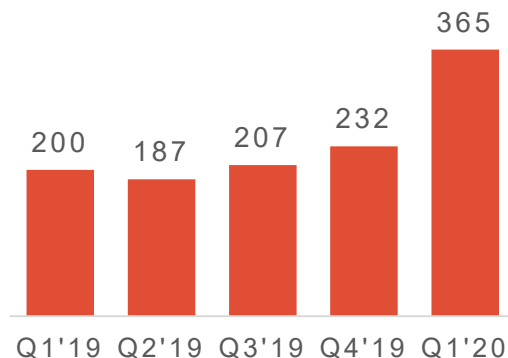
- Adj. EBIT growth driven by
 - Acquired studios Kixeye and Storm8
 - Solid organic growth and disciplined UA spending with good return
 - Gross margin and UAC % slightly lower resulting in improved Adj. EBIT margin YoY

ACTIVE PORTFOLIO: TOTAL

■ MAU ('000) +73% YoY

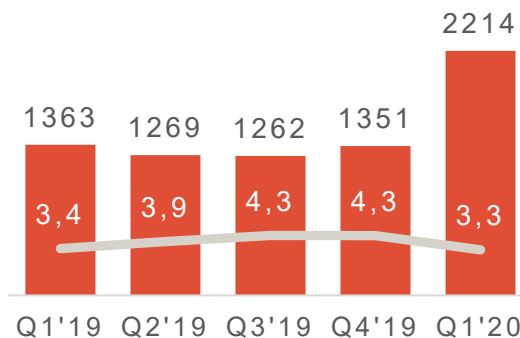


■ MPU ('000) 82% YoY



■ DAU ('000) +62% YoY

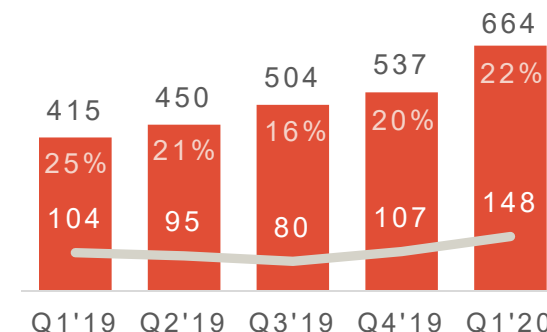
■ ARPDau (SEK) -3% YoY



■ Bookings (MSEK) +60% YoY

■ UAC (MSEK) +42% YoY

■ UAC, % of Bookings



36

GAMES

65%

MOBILE

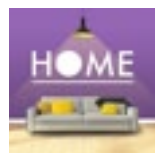
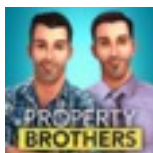


3%

AD BOOKINGS

48%

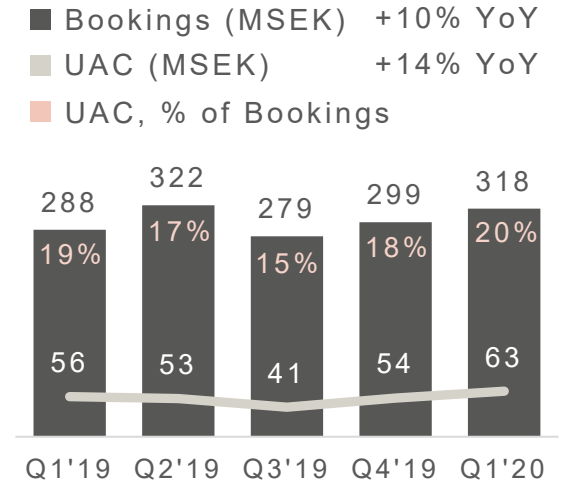
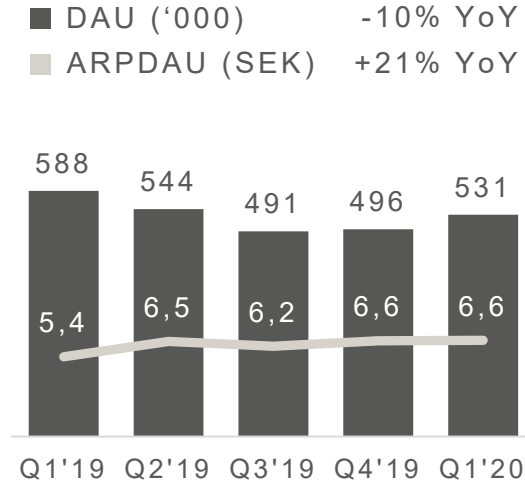
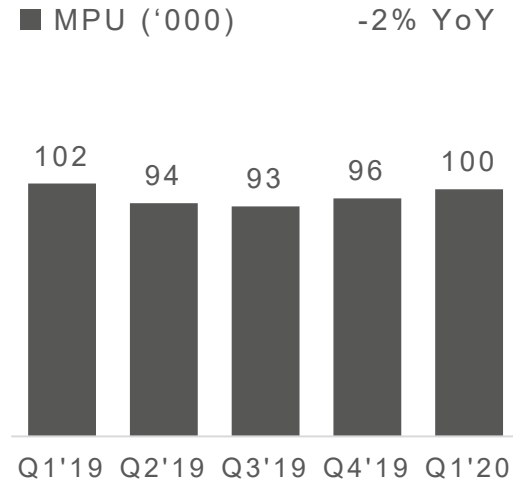
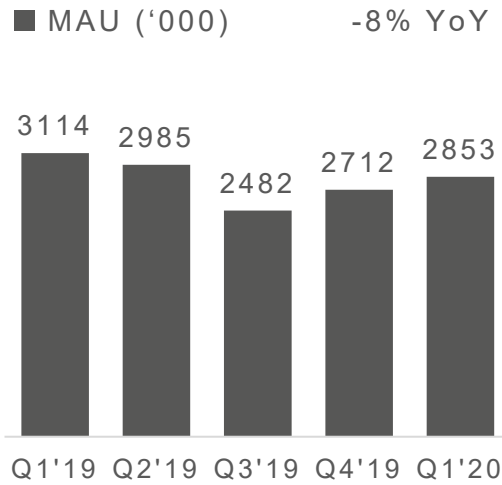
STRATEGY



COMMENTS

- A well diversified active portfolio consisting of 36 games in 3 product areas
- Strategy: games with high degree of community and long-term gameplay, very strong monetization, mid-core audience
- Simulation, RPG & Action: economy and sports simulation games, high-paced action games and role-playing games cater to another part of the mid-core audience
- Casual & Mash-up: large audience tilting younger / female, monetization lower, but still very healthy compared to market
- 3% of total bookings (21 MSEK) from games not in active portfolio

ACTIVE PORTFOLIO: STRATEGY



12
GAMES

62%
MOBILE



0%
AD BOOKINGS

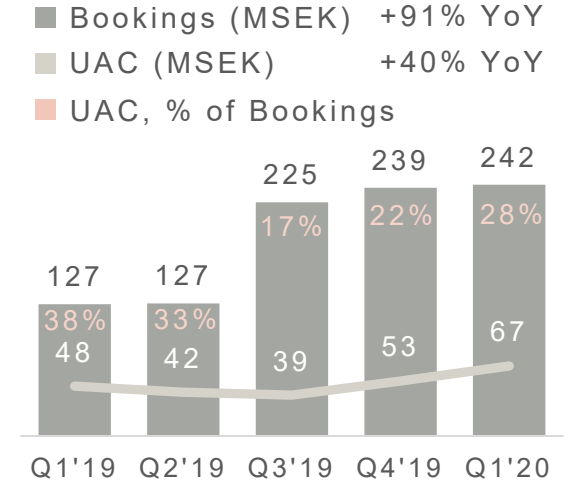
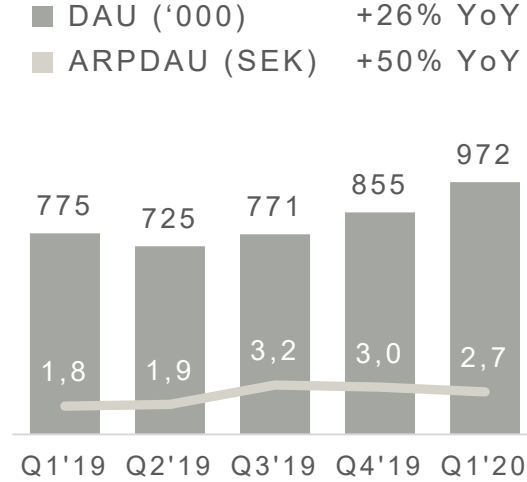
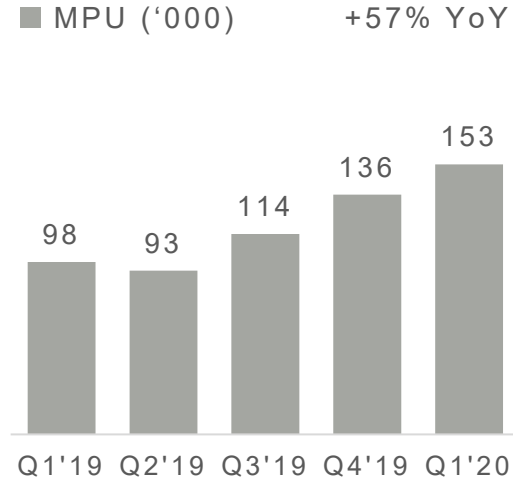
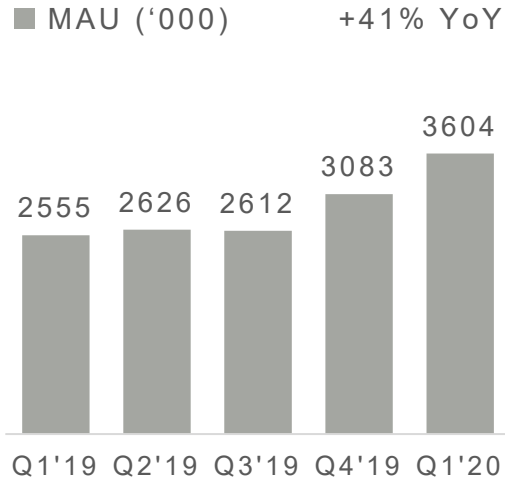
25%
ASIA



COMMENTS

- Totals 48% of bookings in the active portfolio
- Continued strong YoY growth in 3rd year for Nida Harb 3
- EMPIRE: continued stable performance, Age of Knights in global soft launch
- Strike of Nations: strong momentum YoY
- Conflict of Nations soon to launch mobile version
- Investment in updating Supremacy 1914 pays off – ATH bookings in its 10th year since launch driven by mobile version

ACTIVE PORTFOLIO: SIMULATION, RPG & ACTION



17
GAMES

52%
MOBILE

3%
AD BOOKINGS

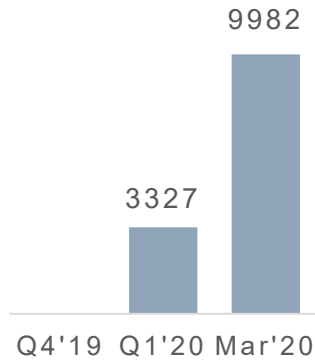
47%
EUROPE

COMMENTS

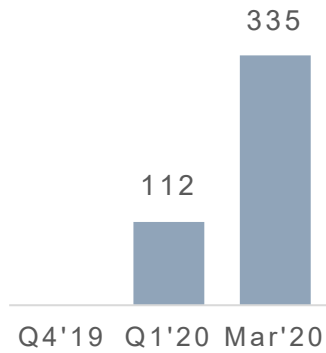
- Totals 36% of bookings in the active portfolio
- Continued strong YoY growth in 3rd year for Big Farm: Mobile Harvest
- Ramp-up of marketing activity for WC: Rogue Assault in the quarter
- War Storm (MENA-version of WC: Rogue Assault) launched after reporting period
- Strong YoY growth for Gemstone IV, strongest quarter since 1999 (launched in 1988, oldest game in active portfolio)

ACTIVE PORTFOLIO: CASUAL & MASH-UP

■ MAU ('000)

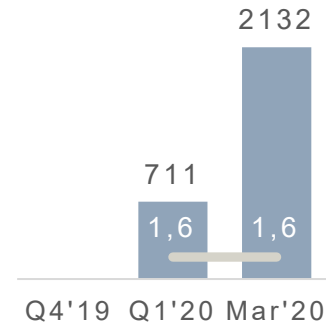


■ MPU ('000)



■ DAU ('000)

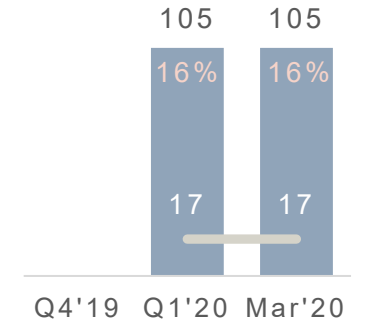
■ ARPDau (SEK)



■ Bookings (MSEK)

■ UAC (MSEK)

■ UAC, % of Bookings



7
GAMES

100%
MOBILE

10%
AD BOOKINGS

65%
N.AMERICA

COMMENTS

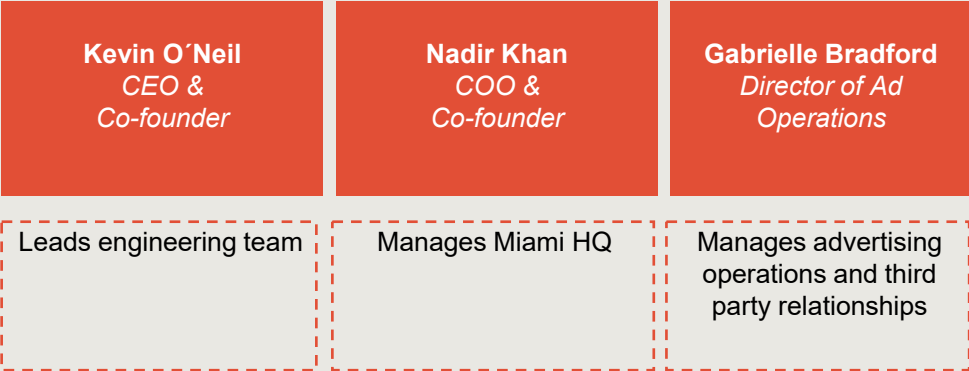
- All 7 games only included for one month in the first quarter
- Totals 16% of bookings in the active portfolio
- Storm8 are ramping up marketing from March, with very good return
- Strong development for Property Brothers
- Candywriter's games part of Casual & Mash-up from May 1 2020

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

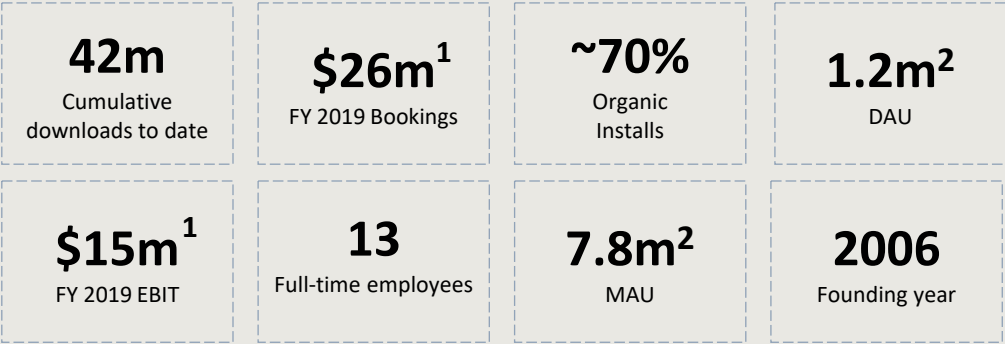
KEY PERSONNEL



GAMES PORTFOLIO



TRACK RECORD



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

FINANCIAL HIGHLIGHTS FIRST QUARTER



Revenue growth of 65% - further increased revenue diversification, paired with Adj. EBIT margin of 31%.



Cash generative business with a cash conversion ratio of 0.73 in the quarter



Debt financing secured in Q1 of 2.1bn SEK. 1 bn SEK remains undrawn and 472 MSEK of cash at end of Q1.

1.15x

Moderate leverage, continuously below the leverage target of 1.5x despite recent M&A activity



Strong underlying financial performance and a strong financing platform creates financial flexibility for further growth.

INCOME STATEMENT Q1 2020

MSEK	Q1 2020	Q1 2019	▲
Net revenue	691	418	65%
OWC and Other Revenue	75	41	84%
Total revenues	766	459	67%
Platform Fees	-189	-105	80%
<i>Gross Margin %</i>	<i>73%</i>	<i>75%</i>	<i>-2 p.p.</i>
User acquisition costs	-148	-108	37%
Other external expenses	-53	-22	143%
Personnel expenses	-122	-69	75%
IAC	-50	-	-
EBITDA	204	154	32%
Depreciation, amortization and write-downs	-98	-42	135%
EBIT	106	113	-6%
Financial items	-4	-13	-69%
EBT	102	100	2%
Taxes for the period	-26	-31	-16%
Net result for the period	77	69	10%

COMMENTS

Gross Margin 2 p.p. lower driven by higher mobile share of revenue, offset by other revenues and scalability of business model

UAC increased 37%, but decreased in relation to revenues 21% (26%)

Personnel cost increased 75%, P&L effect increased 62%

D&A and write-downs increased 135% mainly driven by amortization of PPA items which increased to -56 (-13) MSEK

Underlying financial cost -25 MSEK offset by non-recurring items of 22 MSEK due to holding of USD currency as part of the Storm8 transaction

Reported tax rate totals 25%

BALANCE SHEET Q1 2020

MSEK	Q1 2020	Q1 2019	31 Dec 2019
Intangible non-current assets	7 852	2 228	3 293
Tangible non-current assets	106	59	76
Deferred tax assets & current receivables	642	206	341
Cash and cash equivalents	472	278	342
Total assets	9 072	2 771	4 052
Total Shareholders' equity	4 320	1 180	1 959
Deferred tax & non-current liabilities	689	165	330
Bonds & long-term credit facilities	2 257	732	1 115
Provision for earnouts, long term	1 076	287	125
Current liabilities	507	280	316
Provision for earnouts, short term	223	128	206
Total Liabilities and Shareholders' equity	9 072	2 771	4 052

COMMENTS

Intangible assets increased 42% since year-end 2019. Goodwill increased by 3 359 MSEK and Intangibles by 1 199 MSEK of which 1 063 SEK relate to PPA items

Bonds and long-term credit facilities increased by 1 142 MSEK of which 517 MSEK relate to bond issuance and 625 MSEK of the utilised RCF

Provision for earnouts long term amounted to 1 076 MSEK of which 70% are expected to be settled in cash and 30% in shares

Provision for earnouts short term amounted to 223 MSEK of which 61% is expected to be settled in cash and 29% in shares

Net debt 1 787 MSEK
Adj. Leverage ratio, pro forma 1.15x
Adj. Interest coverage ratio pro forma 22.7x

CASH FLOW Q1 2020

MSEK	Q1 2020	Q1 2019	Q1 2020 LTM	FY 2019	COMMENTS
Cash flow as reported					
Cash flow from operations	163	103	544	484	Cash flow from operations <ul style="list-style-type: none"> • Healthy cash flow generation from operations of 120 MSEK, coupled with positive working capital effect of 43 MSEK
Cash flow from investment activities	-2 401	-65	-3 587	-1 251	
Cash flow from financing activities	2 358	-10	3 228	861	Cash flow from investment activities <ul style="list-style-type: none"> • Storm8 acquisition of -2 298 MSEK and investments in product development of -100 MSEK, 14% in relation to net revenue
Cash flow for the period	120	29	185	94	Cash flow from financing activities <ul style="list-style-type: none"> • Share issuance of 1 305 MSEK and new net debt of 1 097 MSEK
Free cash flow ¹					Free cash flow <ul style="list-style-type: none"> • CFFO improved Q1 2020 LTM vs 2019 LTM with 58 MSEK.
CFFO including IFRS 16 effect ²	156	95	520	462	
- Of which working capital movements	43	-35	22	-56	<ul style="list-style-type: none"> • Increase in product development of 35 MSEK Q1 2020 LTM vs 2019 LTM
Investments in product development	- 100	-64	-283	-248	
Free cash flow (CFFO - Product development)	56	33	236	213	<ul style="list-style-type: none"> • LTM Q1 2020 cash conversion ratio of 0.68, an improvement from 2019 LTM with 5 p.p.
Net profit	77	69	348	341	
Cash conversion ratio	0.73	0.48	0.68	0.63	

1. Free cashflow excludes acquisitions and financing activities and demonstrates underlying cash flow generation from the business.

2. All leases relate to offices which are needed to run operations, IFRS16 cashflow effect is recorded under financial activities under IFRS but here shown under CFFO to demonstrate underlying operational cashflow.

3. Cash conversion ratio is defined as free cash flow divided by net profit.

PRO FORMA INCOME STATEMENT Q4 2019

PRELIMINARY PRO FORMA INCOME STATEMENT FY 2019

COMMENTS

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
Total Revenues	2 175	1 203	3 378	250	3 627
EBITDA¹	741	605	1 345	128	1 473
<i>EBITDA margin</i>	38%	54%	43%	53%	44%
EBIT^{2,3}	517	374	891	69	960
<i>EBIT margin</i>	26%	33%	29%	28%	29%
Adj. EBITDA⁴	768	663	1 431	144	1 575
<i>Adj. EBITDA margin³</i>	39%	59%	46%	59%	47%
Adj. EBIT⁵	645	644	1 289	143	1 432
<i>Adj. EBIT margin⁴</i>	33%	57%	42%	59%	43%

The transaction of Candywriter is further diversifying the Group. FY 2019 pro forma figures:

- Increase in Net revenue by ~8%
- Increase in Adj. EBITDA by ~10%
- Increase in Adj. EBIT 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

Current observations May 6, 2020:

- Accelerated gaming activity across the portfolio of games
 - A large inflow from newly registered users
 - High activity among existing user bases
- Increased returns on our marketing campaigns
- Marketing strategy is yielding very positive results
- In addition to the overall accelerated activity:
 - Storm8 will be fully consolidated in the second quarter
 - Candywriter will be consolidated from May 1, 2020
- Creating a strong momentum into the next quarter.

CREATING A LEADING FREE-TO-PLAY POWERHOUSE

1
group

14
studios

36
games in active portfolio

2bn
players

Increased 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

Realizing synergies

Positive scaling
Network of Centres of Excellences

STILLFRONT GROUP

