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**Press release**

Stockholm 20200917

**STILLFRONT**  
GROUP

## Stillfront Group acquires Nanobit and expands the portfolio with narrative and lifestyle games

*In conjunction with the acquisition, Stillfront announces preliminary unaudited figures for H1 2020 for Nanobit as well as unaudited forecasted figures for FY 2020 for Nanobit.*

INSIDE INFORMATION: Stillfront Group AB (publ) ("**Stillfront**"), a leading free-to-play powerhouse of gaming studios, today announced the signing of an agreement to acquire all shares in Nanobit d.o.o. ("**Nanobit**") (the "**Transaction**"), a leading developer and publisher of mobile games based in Zagreb, Croatia. The studio focuses on narrative lifestyle simulation role playing games (RPG) targeting a female audience. Nanobit is an established studio with 29 titles released, whereof 10 apps and 19 games, and more than 145 million lifetime downloads. The flagship titles include Tabou Stories (2020), My Story (2017) and Hollywood Story (2015). The sellers are the joint founders and main owners of Nanobit, Alan Sumina and Zoran Vučinić, as well as certain key employees.

### TRANSACTION IN BRIEF

- The Transaction will be executed in two tranches, whereof 78% of the shares in Nanobit will be purchased (the "**First Tranche Transaction**") for an initial consideration of approx. USD 100 million on a cash and debt free basis (the "**First Tranche Consideration**"). Approx. USD 30 million of the First Tranche Consideration is payable in 280,542 newly issued shares in Stillfront to the founders and the remaining approx. USD 70 million is payable in cash to the sellers, corresponding to approx. 70% payable in cash and approx. 30% in newly issued shares in Stillfront.
- 22% of the shares in Nanobit will be purchased (the "**Second Tranche Transaction**") for a second tranche consideration of an amount depending on the EBITDA development of Nanobit for the financial years 2021 and 2022 but however not exceeding USD 48 million on a cash and debt free basis (the "**Second Tranche Consideration**"). The Second Tranche Consideration will be payable by Stillfront in 2023, out of which 70% shall be paid in cash and 30% in newly issued shares in Stillfront.

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- Nanobit has a preliminary unaudited IFRS converted net revenue and adjusted EBIT for the period H1 2020 of approx. SEK 325 million and approx. SEK 60 million respectively.
- Nanobit is expected to generate net revenue of approx. SEK 600-640 million, with approx. 17-22% in adjusted EBIT margin, for the financial year 2020.
- Stillfront considers that the Transaction will result in an attractive earnings multiple for Stillfront in line with previous acquisitions and should be seen in the context of Nanobit's rapid growth. Calculated based on the First Tranche Consideration, for consistency with previous transactions where control was gained on closing, the implied EV/Adjusted EBITDA multiple is 6.4x.
- The total purchase price payable by Stillfront in relation to the Transaction cannot exceed USD 148 million on a cash and debt free basis.
- Closing of the First Tranche Transaction is expected to occur on 30 September 2020.

"With the acquisition of Nanobit, Stillfront expands our footprint into the narrative lifestyle role playing games (RPG) genre, further strengthening Stillfront's portfolio of Simulation, Action and RPG games and broadening our gaming audience. Nanobit is an experienced and reputable studio with numerous apps and games with a clear niche within the lifestyle genre. The games portfolio has shown strong growth during the last year and we see a strong growth potential going forward, including a promising pipeline of new games", says Jörgen Larsson, CEO, Stillfront.

"The mobile gaming industry is growing rapidly and is becoming increasingly global. Being in a position to be able to choose a strategic partner, it is only natural that we chose the one that fits our culture and long-term vision. By joining Stillfront Group, Nanobit gains additional momentum that will allow us to continue to grow and develop new ambitious plans and projects. We look forward to team up with Stillfront to further accelerate the development of both Nanobit and Stillfront Group, while our employees get the opportunity to work with some of the best in the industry", says Alan Sumina and Zoran Vučinić, Joint Founders and Owners of Nanobit.

## THE TRANSACTION

The Transaction involves the initial acquisition of 78 % of the shares in Nanobit completion of which is expected to occur on 30 September 2020. Nanobit will be consolidated into Stillfront's consolidated financial reporting from 1 October 2020.

Upon completion of the First Tranche Transaction, approx. USD 100 million on a cash and debt free basis will be paid to the sellers as the First Tranche Consideration, of which approx. USD 30 million is payable in 280,542 newly issued shares in Stillfront to the founders and the remaining approx. USD 70 million is payable in cash to the sellers. The newly issued shares will be issued based on the mandate to the board of directors of Stillfront granted at the annual general meeting held on 14 May 2020. The number of shares in relation to the First Tranche Consideration corresponds to approx. USD 30 million and has been calculated by using the volume weighted average price per share in Stillfront traded on Nasdaq First North Premier Growth Market during the ten trading days preceding the date hereof (excluding the date hereof) converted into USD at the average exchange rate between SEK and USD of the Swedish Central Bank (Sw. *Riksbanken*) published at <https://www.riksbank.se/en-gb/> during the same period, i.e. the subscription price per share related to the First Tranche Consideration amounts to SEK 937.076. This corresponds to a dilution of 0.81% on a fully diluted basis (i.e. based on the total number of shares and votes registered in Stillfront after the share issue in relation to the First Tranche Transaction). The First Tranche Consideration will be subject to adjustment based on the cash, financial debt, transaction expenses and the difference between target and actual indebtedness of Nanobit as of the date of completion of the First Tranche Transaction. The adjustment amount is payable by the sellers or Stillfront (as the case may be) in cash.

Further, Stillfront will acquire the remaining 22% of the shares in Nanobit in 2023 for the Second Tranche Consideration, which is depending on the EBITDA development of Nanobit for the financial years 2021 and 2022 but however not exceeding USD 48 million on a cash and debt free basis, out of which 70% shall be paid in cash and 30% in newly

issued shares in Stillfront. The Second Tranche Consideration is payable upon completion of the Second Tranche Transaction in 2023. The total purchase price payable by Stillfront in relation to the Transaction cannot exceed USD 148 million on a cash and debt free basis.

The subscription price for newly issued shares related to the Second Tranche Consideration will be based upon the volume weighted average price of the shares in Stillfront traded on Nasdaq Firth North Premier Growth Market for a period of ten trading days prior to and ten trading days following Stillfront's announcement of financial results for the financial year 2022 and for purposes of determining the number of shares in Stillfront to be issued, the volume weighted average price of the shares in Stillfront in SEK shall be converted into USD at the average exchange rate between SEK and USD of the Swedish Central Bank (Sw. Riksbanken) published at <https://www.riksbank.se/en-gb/> during the same period as set forth above.

The cash portion of the First Tranche Consideration is intended to be financed by cash at hand and available credit facilities and the adjustment consideration (if any) of the First Tranche Consideration as well as the cash portion of the Second Tranche Consideration are intended to be financed through internal cash generation and available credit facilities.

The 280,542 newly issued shares in Stillfront that are to be issued to the founders upon payment of the First Tranche Consideration are subject to customary transfer restrictions during a period of eighteen months from the date the founders are registered as holder of such shares. The newly issued shares in Stillfront that are to be issued to the sellers upon payment of the Second Tranche Consideration are subject to customary transfer restrictions during a period of twelve months from the date the founders are registered as holder of such shares.

Due to that Stillfront will acquire the remaining 22% of the shares in the Second Tranche Transaction, Stillfront and the founders will enter into a shareholders' agreement in connection with the completion of the First Tranche Transaction. The shareholders' agreement will be entered into in order to establish certain terms and conditions regarding the business of Nanobit and in order to regulate the internal relationship between Stillfront and the founders with respect to ownership of shares in and governance of Nanobit. The shareholders' agreement will be terminated when the Second Tranche Consideration has been paid and Stillfront is the owner of 100% of the shares in Nanobit.

Further, Stillfront and the founders will, in connection with the completion of the First Tranche Transaction, enter into a share pledge agreement in which the remaining shares in Nanobit to be purchased in the Second Tranche Transaction will be pledged to Stillfront by the founders on closing of the First Tranche Transaction.

The founders, Alan Sumina and Zoran Vučinić, and other key employees will remain within Nanobit and be part of the management of Nanobit post-closing of the First Tranche Transaction.

## **ABOUT NANOBIT**

Nanobit was founded in 2008 by software engineers Alan Sumina and Zoran Vučinić as the main owners. The studio focuses on narrative lifestyle simulation role playing games (RPG) targeting a female audience. Nanobit is an established studio with 29 titles released, whereof 10 apps and 19 games, and more than 145 million lifetime downloads. The flagship titles include Tabou Stories (2020), My Story (2017) and Hollywood Story (2015). Nanobit is based in Zagreb, Croatia and employs approx. 125 people in total.

## **PRELIMINARY UNAUDITED FIGURES FOR NANOBIT FOR H1 2020**

The below presented preliminary unaudited financials are solely intended to describe the financial situation of Stillfront post-closing of the Transaction. All figures are preliminary and unaudited.

Nanobit has HRK as its reporting currency. The HRK figures have in the following been translated into SEK by using the average FX rate for the period of January to June 2020, with HRK/SEK at 1.3724.

Nanobit has a preliminary IFRS net revenue of approx. SEK 325 million and adjusted EBIT of approx. SEK 60 million for the period January – June 2020 which represents an increase of approx. 17.2% on Stillfront's total net revenue and approx. 8.9% on Stillfront's total adjusted EBIT for the period January – June 2020.

### **UNAUDITED FORECAST FIGURES FOR NANOBIT FOR THE FULL YEAR 2020**

The below presented unaudited forecast figures are solely intended to describe the hypothetical financial situation of Nanobit to display the potential financial growth of Nanobit. All figures are preliminary and unaudited.

Nanobit is expected to generate net revenue of approx. SEK 600-640 million, with approx. 17-22% in adjusted EBIT margin for the financial year 2020. The financial assumptions are based on Nanobit's management accounts and projected growth driven mainly by the three live games Tabou Stories, My Story and Hollywood Story and projected game pipeline with the new game, Fashion Nation, currently in soft launch.

### **CONDITIONS FOR THE COMPLETION OF THE FIRST TRANCHE TRANSACTION**

Completion of the First Tranche Transaction is conditional on a number of closing deliverables including but not limited to repayment of bonds issued by Nanobit and repayment of external debts.

### **TRANSACTION COSTS**

Stillfront's total costs for the Transaction are estimated to amount to approx. SEK 12 million that will be accounted for in the Q3 2020 report.

### **FINANCIAL AND LEGAL ADVISORS**

DLA Piper Sweden is legal advisor and EY is financial advisor for Stillfront in connection with the Transaction. Latham & Watkins is legal advisor and Aream & Co. is financial advisor for the sellers in connection with the Transaction.

### **CONFERENCE CALL FOR INVESTORS, ANALYSTS AND MEDIA**

Representatives of Stillfront will participate in a conference call on September 18, at 10.00 CEST. To participate, please use the details set out below.

#### ***To participate by telephone, please dial;***

SE: +46 8 505 583 58  
UK: +44 33 330 092 63  
US: +1 83 324 984 07

#### ***To participate via audiocast;***

<https://tv.streamfabriken.com/2020-09-18-press-conference>

#### ***For additional information, please contact:***

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*This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 17.40 CEST on 17 September 2020.*

#### **About Stillfront**

Stillfront is leading free-to-play powerhouse of gaming studios. 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 +800 co-workers thrive in an organization that engenders the

spirit of entrepreneurship. Our main markets are the US, Germany, MENA, France and Canada. We are headquartered in Stockholm, Sweden and the company, is listed on Nasdaq First North Premier Growth Market. For further information, please visit: [stillfront.com](http://stillfront.com)

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This press release does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the new shares. Any investment decision in connection with the share issue must be made on the basis of all publicly available information relating to Stillfront and Stillfront's shares. Such information has not been independently verified by Stillfront. The information contained in this press release is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this press release or its accuracy or completeness.

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This announcement is not a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and has not been approved by any regulatory authority in any jurisdiction. Stillfront has not authorized any offer to the public of shares or rights in any member state of the EEA and no prospectus has been or will be prepared in connection with the Share Issue. In any EEA Member State, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation.

**Forward-looking statements**

This press release contains certain forward-looking statements that reflect Stillfront's current views or expectations of future events and financial and operational performance, including statements regarding guidance, planning, prospects and strategies. Words such as "intends", "anticipates", "expects", "plans", "estimates", "may", and similar expressions regarding indications or predictions of future developments or trends that are not based on historical facts, constitute forward-looking information. Although Stillfront believes that these statements are based upon reasonable assumptions and expectations, Stillfront cannot give any assurances that any such forward-looking statements will materialize. Because

these forward-looking statements involve both known and unknown risks and uncertainties, actual results may differ materially from the information set forth in the forward-looking information. Such risk and uncertainties include but are not limited to the following: Nanobit's future business development; the expected growth of Nanobit's user base; the expectation regarding the rate at which Nanobit can gain active users; Nanobit's ability to monetize the user base; and Nanobit's ability to launch new products according to plan. Forward-looking statements in this press release apply only at the time of the press release and are subject to change without notice. Stillfront undertakes no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, other than as required by applicable law or stock market regulations.

In the United Kingdom, this press release and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, "qualified investors" who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, any investment or investment activity to which this communication relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this press release and should not act or rely on it.

#### **Information to distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in Stillfront have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the shares in Stillfront may decline and investors could lose all or part of their investment; the shares in Stillfront offer no guaranteed income and no capital protection; and an investment in the shares in Stillfront is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Share Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in Stillfront.

Each distributor is responsible for undertaking its own target market assessment in respect of the shares in Stillfront and determining appropriate distribution channels.