

Q2

Stillfront Group

Interim Report April – June, 2020

STILLFRONT
GROUP



Highlights Q2

– Net revenue of 1,192 (480) MSEK, an increase of 148 percent compared to the second quarter of 2019

– Adjusted EBITDA (EBITDA excluding items affecting comparability) of 510 (197) MSEK, an increase of 159 percent

– Adjusted EBIT of 463 (167) MSEK, an increase of 177 percent, Adjusted EBIT margin of 39 (35)%

– Items affecting comparability impacting EBIT amounted to -33 MSEK, mainly driven by transaction costs related to the acquisition of Candywriter. Amortization of PPA-items amounted to -94 (-14) MSEK

– EBIT of 336 (133) MSEK, an increase of 153 percent

– Financial net of -85 (-28) MSEK, of which items affecting comparability of -30 (-5) MSEK due to revaluation of provision for earnouts

– Net result of 188 (73) MSEK

– Net result per share undiluted of 5.75 (3.08) SEK. Net result per share diluted of 5.73 (3.06) SEK

– Net debt of 665 (904) MSEK and adjusted leverage ratio, pro forma of 0.37 (1.37)x. Cash position of 936 MSEK and 1,600 MSEK of undrawn long-term credit facilities

NET REVENUE

1,192 MSEK

ADJ. EBIT

463 MSEK

ADJ. EBIT MARGIN

39%

Quote from the CEO

“Stillfront demonstrated strong performance in the second quarter. Group revenues amounted to 1,192 (480) MSEK and the adjusted EBIT margin amounted to 39 (35) percent. Revenues benefitted from strong organic growth across our portfolio of games as well as growth from the acquired studios Kixeye, Storm8 and Candywriter. Following the recent acquisitions, the product mix has further improved through the new vertical Casual & Mash-up. The positive development in the second quarter was partly driven by effects of the ongoing Covid-19 pandemic, which has led to accelerated gaming activity in all regions as well as an increased amount of paying users. The marketing campaigns during April and May performed very well. In June, we have seen a normalizing trend but our marketing investments are still on record levels and yielding positive results. In June, we completed a directed share issue and raised proceeds of 1,200 MSEK which enables us to act on more opportunities and to further accelerate Stillfront’s growth agenda. The ongoing Covid-19 pandemic will continue to have an impact on the Group’s performance due to the strong inflow of new users in the second quarter as well as increased activity within existing user bases, even though we expect a more normalized pattern including seasonality effects for the second half of the year.”

Jörgen Larsson, CEO, Stillfront

Operational overview of the second quarter

Stillfront's current active portfolio consists of 38 games. The three product areas in the active portfolio are: Strategy; Simulation, RPG (Role Playing Games) & Action; and Casual & Mash-up.

Game performance

2020 Q2	Active Portfolio	Strategy	Sim / RPG / Action	Mashup / Casual	Other games
Bookings (MSEK)	1,170	398	322	450	39
Y-o-Y %	160%	23%	153%	N/A	
Ad bookings, %	5%	0%	2%	11%	
Mobile bookings, %	75%	61%	58%	100%	
UAC (MSEK)	216	76	68	72	
Y-o-Y %	126%	43%	61%	N/A	
DAU ('000)	4,699	600	1,273	2,827	
Y-o-Y %	270%	10%	76%	N/A	
MAU ('000)	22,794	3,349	5,364	14,081	
Y-o-Y %	306%	12%	104%	N/A	
MPU ('000)	846	116	197	533	
Y-o-Y %	352%	23%	113%	N/A	
ARPDau (SEK)	2.7	7.3	2.8	1.7	
Y-o-Y %	-30%	12%	44%	N/A	

Bookings: Revenue before changes in deferred revenue, including deposits from paying users, in-game advertising revenue and other game-related revenue.

Bookings in the second quarter amounted to 1,209 MSEK, of which 1,170 MSEK in the active portfolio. The increase of 160 percent year over year in the active portfolio, is driven by the addition of the acquired studios Kixeye, Storm8 and Candywriter, as well as growth across the rest of the portfolio of games with high gaming activity in all our games. As a result of complementing Stillfront's portfolio with casual & mash-up games, our advertising bookings have increased. Share of mobile bookings is increasing from 65 percent in the first quarter of 2020 to 75 percent as a result of the growth in the mobile titles including Storm8's and Candywriter's portfolios. ARPDau for the active portfolio totaled 2.7 SEK. The ARPDau level is a core strength for Stillfront, showing continued good monetization. In the second quarter ARPDau increased in all the three product areas year over year. The decrease in ARPDau for the total active portfolio year over year is a result of a mix effect with a larger amount of casual games included in the portfolio.

User acquisition, UA in the second quarter amounted to 216 MSEK, corresponding to 18 percent in relation to net revenue. The increase in UAC year over year is a result of the high return on marketing spend achieved in the quarter, paired with record spending levels across the Group.

MPU, monthly paying users, grew 352 percent year over year mainly as a result of the acquisitions of Kixeye, Storm8 and Candywriter.

Product areas:

The Strategy portfolio currently totals 12 classic war and so called 4X games, many originally built as browser games for a large map view. Today a majority is available cross-platform and attract mobile gamers too. Titles included for example: Imperia Online, War and Peace, Call of War and Empire. The strategy games portfolio totaled 34 percent of the bookings in the second quarter, a year over year growth of 23 percent without any acquired or new games being added during the year. The YoY growth is mainly driven by the mid-sized products as well as Nida Harb III. Call of War, Supremacy 1914 and Conflict of Nations, built on same game engine, all grew >100% YoY, driven by a strong momentum accelerated by Covid-19, particularly in North America. Nida Harb III, fueled by increased usage during Ramadan, became the largest strategy game in the portfolio for the first time.

Simulation, RPG & Action is a diversified portfolio of 18 games including simulation games such as Big Farm: Mobile Harvest, action games such as War Commander: Rogue Assault as well as

UAC IN RELATION TO REVENUE

18 %

ARPDau

2.7 SEK

MOBILE SHARE OF BOOKINGS

75 %

RPG games including Shakes & Fidget. Included in the portfolio are also some of Storm8's long-tail games. In the second quarter War Storm, the MENA-version of War Commander: Rogue Assault, is included in the product area.

The product area totaled 28 percent of the bookings in the active portfolio, with acquired growth from Kixeye, Storm8 and Candywriter as well as organic growth in the rest of the portfolio. Shakes & Fidget had record high bookings in the quarter which was driven by significantly improved monetization in addition to strong marketing performance. For the third consecutive year, Big Farm: Mobile Harvest is delivering strong sequential growth.

The Casual and Mash-up portfolio includes 8 games such as Property Brothers Home Design and recently added BitLife. The product area totals 38% of bookings in the active portfolio in the second quarter including Storm8's games in the full quarter and Candywriter's game BitLife included for two months of the quarter. Candywriter delivered a lower share of ad revenues in the quarter which was offset by an increased amount of in-app purchases. Storm8 marketing campaigns performed very well in the quarter, driving strong growth in particular for Property Brothers, which became the largest game of the product area.

Financial overview of the second quarter

Revenue and operating profit

MSEK	2020	2019	Chg%	2020	2019	Chg%	Last 12 months	2019
	Apr-Jun	Apr-Jun		Jan-Jun	Jan-Jun		months	Jan-Dec
Net Revenue	1,192	480	148	1,883	898	110	2,952	1,967
EBITDA	477	176	170	681	331	106	1,091	741
EBITDA margin, %	40	37		36	37		37	38
EBIT	336	133	153	442	246	80	713	517
EBIT margin, %	28	28		23	27		24	26
Items affecting comparability	-33	-20	65	-83	-20	311	-91	-28
Adjusted EBITDA*	510	197	159	765	351	118	1,182	768
Adjusted EBITDA margin*, %	43	41		41	39		40	39
Amortization of PPA items	-94	-14	584	-150	-27	455	-224	-101
Adjusted EBIT*	463	167	177	676	293	131	1,028	645
Adjusted EBIT margin*, %	39	35		36	33		35	33

*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 second quarter amounted to 1,192 (480) MSEK. The increase of 148 percent reflects the addition of the acquired studios Kixeye, Storm8 and Candywriter as well as strong organic growth across the portfolio of games.

Adjusted EBITDA amounted to 510 (197) MSEK during the second quarter, corresponding to an adjusted EBITDA margin of 43 (41) percent. Adjusted EBIT amounted to 463 (167) MSEK during the second quarter, representing an increase of 177% year on year and corresponding to an adjusted EBIT-margin of 39 (35) percent. The increased earnings and profitability was partly driven by the Storm8 and Candywriter acquisitions and complemented by efficient user acquisition spend and increased level of live operations across the whole portfolio.

EBIT amounted to 336 (133) MSEK, an increase of 153% which is slightly below the increase in adjusted EBIT due to items affecting comparability of -33 (-20) MSEK and an increase in amortization of PPA items -94 (-14) MSEK. Items affecting comparability impacting EBIT were mainly attributable to transaction costs related to the Candywriter acquisition and costs associated with long term incentive programmes (see page 17 for more details).

Product development

MSEK	2020	2019	2020	2019	Last 12 months	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	months	Jan-Dec
Capitalization of product development	107	43	207	94	361	248
Amortization of product development	-36	-23	-70	-44	-121	-96
Amortization of PPA items	-94	-14	-150	-27	-224	-101

During the second quarter investments in product development have been capitalized by 107 (43) MSEK. Investments include development of new games such as War Storm and Big Farm: Story as well as other not yet released games. 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 -36 (-23) MSEK was charged during the second quarter. Amortization of purchase price allocation, PPA items, amounted to -94 (-14) MSEK.

Financial net

The financial net was -85 (-28) MSEK in the second quarter. Items in the financial net were interest net of -29 (-11) MSEK, non-cash interest charge on earnout consideration -15 (-1) MSEK, negative currency effects of -10 MSEK and an item impacting comparability for revaluation of provisions for earnouts of -30 (-5) MSEK.

Tax

The Group's tax expense for the second quarter totaled -64 (-31) MSEK. The reported tax rate for the second quarter was 25 percent.

Financing

	2020 30 Jun	2019 30 Jun
Net debt	665	904
Cash and cash equivalents	936	324
Adjusted Interest Coverage Ratio, pro forma, x	17.8	6.5
Adjusted Leverage Ratio, pro forma, x	0.4	1.4

Net debt as of June 30 2020 amounted to 665 (904). In addition, the Group has as of the same date liabilities of 1,959 MSEK for earnout provisions, to be settled during 2020, 2021, 2022 and 2023 of which about 61 percent is expected to be paid out in cash and 39 percent in newly issued shares. 129 MSEK of the provisions for earnouts is expected to be settled at the latest during the third quarter of 2020 of which about 39 percent in cash and 61 percent in newly issued shares.

Adjusted interest coverage ratio, pro forma was 17.8 (6.5)x as of June 30 2020. The Adjusted leverage ratio, pro forma was 0.4 (1.4)x. Stillfront has a financial target of maximum 1.5x for the adjusted leverage ratio pro forma.

As of June 30 2020, unutilized credit facilities amounted to 1,700 MSEK, of which 1,600 MSEK are long-term credit facilities, and a cash balance of 936 MSEK.

Cash flow

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	2019 Jan-Dec
Cash flow from operations	344	140	507	239	752	484
Cash flow from investment activities	-469	-1,037	-2,869	-1,102	-3,018	-1,251
Cash flow from financing activities	609	949	2,967	938	2,890	861
Cash flow for the period	485	52	605	75	624	94
Cash and cash equivalents at the end of period	936	324	936	324	936	342

Cash flow from operations was 344 (140) MSEK in the second quarter. The period's operating cash flow was impacted by changes in working capital of -123 (-14) MSEK of which -114 MSEK from increased operating receivables driven by a solid revenue growth as well as a larger share of mobile revenues. Cash flow from investment activities amounted to -469 (-1,037) MSEK, of which 354 MSEK related to the Candywriter acquisition, while investments in product development amounted to 107 (40) MSEK. Cash flow from financing activities amounted to 609 (949) MSEK and mainly reflects the directed share issue of 1,200 MSEK and a full repayment of the utilized revolving credit facility amounting to 655 MSEK in the first quarter of 2020.

Employees

	2020 30 Jun	2019 30 Jun	2019 31 Dec
Number of Employees	808	512	681

The number of employees at the end of period was 808 (512). The increase compared to the same period previous year is primarily due to the acquisition of Kixeye, Storm8 and Candywriter.

Significant events in the quarter

Stillfront improves structure of product areas to further increase understanding of the portfolio

April 21, 2020, Stillfront communicated a new, improved structure for the active portfolio of games. Stillfront's reporting structure consists of one business line and the product areas are: Strategy; Simulation, RPG & Action; and Casual & Mash-up.

Acquisition of Candywriter

April 23, 2020, Stillfront signed the agreement to acquire Candywriter LLC, a US based mobile games developer and publisher focusing on casual and mash-up games for an upfront consideration of approx. USD 74.4 million on a cash and debt free basis, of which USD 37.5 million is payable in 708,463 newly issued shares in Stillfront and the remaining approx. USD 36.9 million is payable in cash. Further, an earn-out consideration may be payable by Stillfront in an aggregate maximum total amount of USD 120.6 million on a cash and debt free basis, out of which 50% shall be paid in cash and 50% in newly issued shares in Stillfront. The ultimate size of the yearly earn-out component will depend on the EBIT development of Candywriter for the financial years 2020, 2021 and 2022. The total purchase price payable by Stillfront cannot exceed USD 195 million. Candywriter has been consolidated into Stillfront's consolidated financial reporting from 1 May 2020.

Armin Busen appointed Senior Vice President Business Operations of Stillfront

April 28, 2020: Stillfront announced that Armin Busen will join Stillfront as Senior Vice President Business Operations and member of the Group's business management team. Armin was previously Chief Product Officer, CPO of InnoGames and has 15 years background in the online and media business. Armin has extensive experience in corporate and high growth companies and has held various executive positions. Previous positions include the role as CFO with InnoGames as well as business finance and development with ProSiebenSat.1 Armin Busen assumed his position on June 1, 2020.

Stillfront Group provides trading update for April and May related to Covid-19 – continued positive results

11 June, 2020: Stillfront announced an update regarding the Group's business performance through April and May 2020 and commented on the impact on the Group's financial result that Covid-19 has had during the same period. Stillfront has seen an accelerated gaming activity since the end of March 2020. The actions taken to prevent the spread of Covid-19, such as working from home and practicing social distancing, has had a positive impact on the global demand for digital entertainment, which continued during April and May.

Stillfront completed a directed share issue of 1,558,441 new shares and raises proceeds of SEK 1,200 million to strengthen future financial flexibility

17 June, 2020: The board of directors of Stillfront has by authorisation granted by the Annual General Meeting held on 14 May 2020 resolved on a directed share issue to Swedish and international institutional and other qualified investors of 1,558,441 new shares at a price of SEK 770.0 per share. Stillfront raised proceeds through the Directed Share Issue to provide the Company further financial strength and flexibility to be able to act swiftly on potential future acquisitions and growth opportunities. The subscription price corresponds to a discount of 1.4 percent to the closing price of SEK 781.0 on 16 June 2020 and a premium of 7.8 percent versus the volume weighted average price the latest 10 trading days.

Allotment under long-term incentive program

22 June, 2020: The annual general meeting in Stillfront held on 14 May 2020 resolved to issue not more than 350,000 warrants of series 2020/2024. Each warrant entitles the holder to subscribe for one (1) new share in the company on the last banking day in any month that falls during the period 1 June 2023 to 31 May 2024 at a subscription price of SEK 785.49, which is equal to the average volume weighted share price for the company's share on Nasdaq First North Premier Growth Market during the period from and including 29 April 2020 until and including 13 May 2020, adjusted upwards with 8 percent annual interest. The company's subsidiary, Todavia AB, has subscribed for 350,000 of the issued warrants of which 277,000 subsequently have been transferred on market terms to certain key personnel of the Stillfront Group.

Stillfront publishes approved bond prospectus and applies for listing of bonds on Nasdaq Stockholm

22 June 2020, Stillfront applied for listing of its SEK 1,000 million senior unsecured floating rate bonds due 2024 (ISIN:0012728830) on Nasdaq Stockholm's Corporate Bond List. The first day of trading on Nasdaq Stockholm was on 24 June 2020. For the purpose of the listing of the bonds, a prospectus has been approved by and registered with the Swedish Financial Supervisory Authority (Sw. Finansinspektionen).

Events after the reporting period

Issuance of shares to the sellers of Babil Games, Imperia Online and Playa Games

July 8, 2020: Stillfront resolved to allot the subscribed shares in the new issue of shares to the sellers of Babil Games, Imperia Online and Playa Games respectively.

For more information, please visit: <http://www.stillfront.com/en/section/investors/press-releases/>

Market

The gaming industry is today the largest entertainment industry in the world with 2.7 billion gamers globally. In 2020, the gaming industry is expected to generate revenues of around USD 159.3 billion, growing year-on-year by +9.3%, according to Newzoo. The games market is expected to continue its strong growth in the coming years. The total market will exceed USD 200 billion at the end of 2023, growing with a +8.3% CAGR, according to Newzoo.

Mobile gaming is the world's most popular form of gaming. Mobile games are expected to reach 2.6 billion players and generate revenues of USD 77.2 billion in 2020, representing almost half of the global games market in term of revenues. The mobile games market is expected to grow by 13.3% year-on-year in 2020 and will continue to grow faster than the total games market up to 2023, according to Newzoo. Games is also the dominating category within mobile applications. In 2019, mobile games made up 72% of all app store spend, according to App Annie.

Stillfront's games are predominantly within the Free-to-Play (F2P) segment. The F2P model has successfully been applied to the browser game market for years and it has now taken over the mobile segment as well. In the world's single largest market, Asia, and particularly in China, the model dominates, and it is gaining ground across all platforms globally.

People across all age demographics play online games. The average age of a gamer is now 33 years of age, according to the ESA, and the age of gamers are distributed fairly even across most age groups. The number of female gamers has increased rapidly during the past few years and today represent just under half (46%) of the total population of gamers.

Sources for market data:

Newzoo's Global Games Market Report 2020

App Annie The State of Mobile Report 2020

Essential Facts of the Computer and Video Game Industry 2019, by ESA.

Parent Company

Customary group management functions and group wide services are provided via the parent company. The revenue for the parent during the second quarter was 34 MSEK (8). The profit before tax amounted to 79 MSEK (-39).

Related Party Transactions

The annual general meeting held on 14 May 2020, resolved to reimburse a conditional shareholder's contribution including accumulated interest, in the amount of SEK 2,205,184 to Deseven Capital Aktiebolag.

Other than above and remuneration to key individuals, there has been no other transactions with related parties.

The Share and Shareholders

#	Owners	No of shares	Capital/ votes
1	Laureus Capital GmbH	4,453,069	13.0%
2	Swedbank Robur Funds	3,194,706	9.4%
3	SEB Funds	2,613,050	7.7%
4	Handelsbanken Funds	2,469,995	7.2%
5	First National Pension fund	1,222,288	3.6%
6	Länsförsäkringar Funds	952,699	2.8%
7	Avanza Pension	896,966	2.6%
8	Man Hay Tam	815,506	2.4%
9	Life Insurance Skandia	565,757	1.7%
10	Team Kuma 2018 Grantor	481,288	1.4%
11	Other Shareholders	16,478,384	48.3%

The total number of shares per June 30, 2020, was 34,143,708.

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 Growth Market. Closing price as of June 30, 2020 was 834 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 and Nasdaq Stockholm.

Accounting Policies

This interim report has been prepared in accordance with IAS34, Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with IFRS 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 2019.

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.

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 2019. No significant risks are considered to have risen besides those being described in the Annual Report.

Financial reports

Income statement in summary, Group

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	2019 Jan-Dec
Revenues						
Bookings	1,209	461	1,894	892	2,961	1,959
Deferred revenue	-17	19	-11	6	-9	8
Net revenue	1,192	480	1,883	898	2,952	1,967
Own work capitalized	83	38	154	76	275	197
Other revenue	5	3	8	5	14	11
Operating expenses						
Platform fees	-343	-122	-532	-227	-810	-506
User acquisition costs	-216	-99	-364	-207	-554	-397
Other external expenses	-47	-27	-100	-49	-198	-147
Personnel expenses	-164	-76	-286	-146	-496	-356
Items affecting comparability	-33	-20	-83	-20	-91	-28
Amortization of product development	-36	-23	-70	-44	-121	-96
Amortization of PPA items	-94	-14	-150	-27	-224	-101
Depreciation	-11	-7	-19	-14	-33	-27
Operating result	336	133	442	246	713	517
Result from financial items						
Net financial items	-85	-28	-89	-41	-111	-64
Result after financial items	251	105	353	205	602	454
Taxes for the period	-64	-31	-89	-62	-141	-113
Net result for the period	188	73	264	143	462	341
Other comprehensive income						
Items that later can be reversed in profit						
Foreign currency translation differences	-314	19	-106	35	-136	4
Total comprehensive income for period	-126	92	158	178	325	345
Net result for the period attributed to:						
Parent company shareholders	186	75	262	145	455	338
Non-controlling interest	1	-1	2	-3	7	2
Period total comprehensive income						
Parent company shareholders	-128	94	156	180	318	342
Non-controlling interest	-1	-1	2	-3	8	3
Average number of shares						
Undiluted	32,395,253	24,342,256	30,875,766	24,197,685	28,556,567	25,237,953
Diluted	32,493,130	24,521,494	30,911,535	24,347,685	28,556,567	25,330,083
Net result per share attributable to the parent company shareholders						
Undiluted, SEK/share	5.75	3.08	8.48	6.01	15.93	13.41
Diluted, SEK/share	5.73	3.06	8.47	5.97	15.93	13.36

Balance sheet in summary, Group

MSEK	6/30/2020	6/30/2019	12/31/2019
Goodwill	6,481	1,689	2,211
Other non-current intangible assets	2,416	553	1,083
Tangible non-current assets	125	55	76
Deferred tax assets	136	18	90
Current receivables	584	1,124	251
Cash and cash equivalents	936	324	342
Total assets	10,679	3,763	4,052
Shareholders' equity			
Shareholders' equity attributable to parent company's shareholding	5,799	1,751	1,942
Non-Controlling interest	20	14	18
Total Shareholders' equity	5,819	1,764	1,959
Non-current liabilities			
Deferred tax liabilities	629	105	269
Bond loans	1,602	1,082	1,085
Liabilities to credit institutions	-	146	30
Other liabilities	116	48	61
Provisions for earnout	938	125	125
Total non-current liabilities	3,284	1,506	1,570
Current liabilities			
Liabilities to credit institutions	-	0	49
Other liabilities	554	298	267
Provisions for earnout	1,021	194	206
Total current liabilities	1,575	492	523
Total Liabilities and Shareholders' equity	10,679	3,763	4,052

Shareholders' equity, Group

MSEK	Share capital	Other Shareholders Contributions	Other Reserves	Other equity incl profit of the year	Equity attributed to parent share holders	Non controlling interest	Total equity
Opening balance							
2019-01-01	16	1,247	1	-184	1,081	15	1,096
Net result for the period				145	145	-3	143
Foreign currency translation differences				35	35	-0	35
Total comprehensive income	-	-	-	180	180	-3	178
Transactions with shareholders	-	-	-	-	-	-	-
Total transactions with shareholders	2	489	-	-	491	-	491
Closing balance							
2019-06-30	18	1,736	1	-4	1,751	14	1,764
Opening balance							
2020-01-01	18	1,765	4	154	1,942	18	1,959
Net Result for the period				262	262	2	264
Foreign currency translation differences			-	-106	-106	0	-106
Total comprehensive income	-	-	-	156	156	2	158
Total transactions with shareholders	5	3,696	-	-	3,702	-	3,702
Closing balance							
2020-06-30	24	5,461	4	310	5,799	20	5,819

Cash flow in summary, Group

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	2019 Jan-Dec
Operations						
Result after financial items	251	105	353	205	602	454
Adj for items not in cash flow etc	232	61	292	108	389	205
Tax paid	-16	-11	-58	-24	-152	-118
Cash flow from operations before changes in working capital	467	154	588	289	839	540
Changes in working capital						
Increase(-)/Decrease(+) in operating receivables	-114	-43	-124	-87	-82	-45
Increase (+)/Decrease(-) in operating liabilities	-9	29	43	38	-5	-11
Cash flow from changes in working capital	-123	-14	-81	-49	-88	-56
Cash flow from operations	344	140	507	239	752	484
Investment activities						
Acquisition of business	-359	-995	-2,656	-995	-2,657	-996
Acquisition of tangible assets	-3	-2	-6	-3	-11	-7
Acquisition of intangible assets	-107	-40	-207	-105	-351	-248
Cash flow from investment activities	-469	-1,037	-2,869	-1,102	-3,018	-1,251
Financing activities						
Net change in borrowings	-604	471	493	465	427	400
IFRS 16 lease repayment	-8	-6	-15	-11	-27	-23
Proceeds from share issuance	1,244	500	2,548	500	2,548	500
Issue cost	-20	-17	-56	-17	-56	-17
Payment to shareholders (incl. dividend paid)	-2	-	-2	-	-2	-
Cash flow from financing activities	609	949	2,967	938	2,890	861
Cash flow for the period	485	52	605	75	624	94
Cash and cash equivalents at start of period	472	278	342	246	324	246
Translation differences	-20	-6	-11	2	-11	3
Cash and cash equivalents at end of period	936	324	936	324	937	342

Parent company income statement, summary

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	2019 Jan-Dec
Revenue						
Net revenue	34	8	50	16	89	55
Operating expenses						
Other external expenses	-20	-27	-34	-34	-42	-41
Personnel expenses	-22	-6	-30	-9	-42	-21
Operating result	-7	-25	-14	-27	5	-8
Financial items						
Financial income	146	1	175	2	176	3
Financial expenses	-60	-15	-146	-28	-199	-81
Total financial items	86	-14	29	-27	-23	-78
Result after financial items	79	-39	15	-54	-17	-86
Appropriations						
Group contribution	-	-	-	-	-	75
Profit before tax	79	-39	15	-54	-17	-11
Tax for the period	-0	-2	-	-	26	26
Net result for the period	79	-41	15	-54	9	16

Parent company balance sheet, summary

MSEK	6/30/2020	6/30/2019	12/31/2019
Intangible assets	5	1	3
Tangible non-current assets	0	0	-
Financial non-current assets	10,758	5,219	4,030
Deferred tax	26	-	-
Current receivables	129	22	1,310
Cash and bank	318	8	15
Total assets	11,237	5,250	5,358
Shareholders' equity	7,563	3,752	3,850
Provisions for earnouts	1,959	319	285
Non-current liabilities	26	97	-
Bond loans	1,602	1,082	1,085
Current liabilities to credit institutions	-	-	48
Other current liabilities	88	0	90
Total liabilities & Shareholders' equity	11,237	5,250	5,358

Key figures, Group

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	2019 Jan-Dec
Bookings	1,209	461	1,894	892	2,961	1,959
Deferred revenue	-17	19	-11	6	-9	8
Net revenue	1,192	480	1,883	898	2,952	1,967
EBITDA	477	176	681	331	1,091	741
<i>EBITDA margin %</i>	40	37	36	37	37	38
EBIT	336	133	442	246	713	517
<i>EBIT margin %</i>	28	28	23	27	24	26
Adjusted EBITDA*	510	197	765	351	1,182	768
<i>Adjusted EBITDA margin*, %</i>	43	41	41	39	40	39
Adjusted EBIT*	463	167	676	293	1,028	645
<i>Adjusted EBIT margin*, %</i>	39	35	36	33	35	33
Profit before tax	251	105	353	205	602	454
Net result	188	73	264	143	462	341
Adjusted Interest Coverage Ratio, pro forma, x	17.85	6.5	17.8	6.5	17.8	11.7
Adjusted Leverage Ratio, pro forma, x	0.37	1.37	0.37	1.37	0.37	0.91
Shareholders' equity per share undiluted, SEK	169.85	67.00	169.85	67.00	169.85	73.72
Shareholders' equity per share diluted, SEK	169.37	66.54	169.67	66.61	169.85	73.46
Earnings per share undiluted, SEK	5.75	3.08	8.48	6.01	15.93	13.41
Earnings per share diluted, SEK	5.73	3.06	8.47	5.97	15.93	13.36
No of shares end of period undiluted	34,143,708	26,128,972	34,143,708	26,128,972	34,143,708	26,339,453
No of shares end of period diluted	34,241,585	26,308,210	34,179,477	26,278,972	34,143,708	26,431,583
Average no of shares period undiluted	32,395,253	24,342,256	30,875,766	24,197,685	28,556,567	25,237,953
Average no of shares period diluted	32,493,130	24,521,494	30,911,535	24,347,685	28,556,567	25,330,083

*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 Kixeye

In June 2019, Stillfront acquired Kixeye, a leading developer and publisher of online strategy games headquartered in Canada. The upfront consideration which was paid in cash to the sellers of Kixeye amounted to USD 90 million on a cash and debt free basis. The sellers are entitled to a cash earn-out consideration if certain EBITDA levels for the financial year 2019 are achieved. The earn-out consideration is subject to a cap of USD 30 million. Kixeye was consolidated into Stillfront's consolidated financial reporting from 1 July 2019.

MSEK

Purchase price

Cash and cash equivalents	871
Ordinary shares issued	-
Provision for earnout	-
Total purchase consideration	871

Purchase price allocation analysis

The purchase price allocation analysis of Kixeye is provided below.

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

Intangible non-current assets	386
Property, plant and equipment	1
Current receivables excl cash and bank	60
Cash and cash equivalents	15
Non-current liabilities	-
Deferred tax liabilities	-55
Current liabilities	-73
Total net assets acquired excluding goodwill	334
Goodwill	537
Total net assets acquired	871
Less	
Cash and cash equivalents	-15
Ordinary shares issued	-
Provision for earnout	-
Net cash outflow on acquisition of business	856

Acquisition of Storm8

In January 2020, Stillfront acquired Storm8, a leading mobile mash-up game developer headquartered in US. The upfront consideration was USD 300 million and, if certain EBIT levels for the financial years 2020 and 2021 are achieved, an earn-out consideration up to USD 100 million, on a cash and debt free basis. USD 75 million of the upfront consideration is payable in 1,910,671 newly issued shares and the remainder in cash. 75 percent of the earn-out consideration is payable in cash and 25 percent in newly issued shares. Storm8 was consolidated into Stillfront's financial reporting from March 1, 2020.

MSEK

Purchase price

Cash and cash equivalents	2,290
Ordinary shares issued	805
Provision for earnout	901
Total purchase consideration	3,996

Purchase price allocation analysis

The purchase price allocation analysis of Storm8 is provided below.

The fair value of acquired assets and assumed liabilities (MSEK):	
Intangible non-current assets	997
Property, plant and equipment	2
Current receivables excl cash and bank	171
Cash and cash equivalents	277
Non-current liabilities	-14
Deferred tax liabilities	-269
Current liabilities	-363
Total net assets acquired excluding goodwill	801
Goodwill	3,195
Total net assets acquired	3,996
Less	
Cash and cash equivalents	-277
Ordinary shares issued	-805
Provision for earnout	-901
Net cash outflow on acquisition of business	2,013

Acquisition of Candywriter

In April 2020, Stillfront acquired Candywriter, a US based mobile games developer and publisher focusing on casual and mash-up games for an upfront consideration of approx. USD 74.4 million on a cash and debt free basis, of which USD 37.5 million is payable in 708,463 newly issued shares in Stillfront and the remaining approx. USD 36.9 million is payable in cash. Further, an earn-out consideration may be payable by Stillfront in an aggregate maximum total amount of USD 120.6 million on a cash and debt free basis, out of which 50% shall be paid in cash and 50% in newly issued shares in Stillfront. The ultimate size of the yearly earn-out component will depend on the EBIT development of Candywriter for the financial years 2020, 2021 and 2022. The total purchase price payable by Stillfront cannot exceed USD 195 million. Candywriter was consolidated into Stillfront's consolidated financial reporting from 1 May 2020.

MSEK

Purchase price

Cash and cash equivalents	384
Ordinary shares issued	414
Provision for earnout	821
Total purchase consideration	1,620

Purchase price allocation analysis

The purchase price allocation analysis of Candywriter is provided below.

The fair value of acquired assets and assumed liabilities (MSEK):	
Intangible non-current assets	396
Property, plant and equipment	0
Current receivables excl cash and bank	43
Cash and cash equivalents	30
Non-current liabilities	-
Deferred tax liabilities	-107
Current liabilities	-29
Total net assets acquired excluding goodwill	332
Goodwill	1,287
Total net assets acquired	1,620
Less	
Cash and cash equivalents	-30
Ordinary shares issued	-414
Provision for earnout	-821
Net cash outflow on acquisition of business	354

Definitions

Key figures and alternative performance measures

ARPDau

Average revenue per daily active user. Calculated as Bookings in the quarter divided by days in the quarter divided by average daily active users in the quarter.

Bookings

Revenue before changes in deferred revenue, including deposits from paying users, in-game advertising revenue and other game-related revenue.

DAU

Average daily active users. Calculated as the average daily active users each month of the quarter, divided by months in the quarter.

EBITDA

Operating profit before depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for items affecting comparability.

EBITDA margin

EBITDA as a percentage of Net revenue. Adjusted EBITDA margin is EBITDA margin adjusted for items affecting comparability.

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.

IAC, Items affecting comparability

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 Pro forma 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 Pro forma.

MAU

Average monthly active users. Calculated as monthly active users each month of the quarter, divided by months in the quarter.

MPU

Average monthly paying users. Calculated as monthly paying users each month of the quarter, divided by months in the quarter.

Net Debt

Interest bearing liabilities minus cash and cash equivalents. Provisions for earnouts is not considered interest bearing in this context.

Shareholders' equity/share

Shareholders' equity attributable to the parent company shareholders divided by the number of shares at the end of the period.

UAC

User acquisition cost.

Reconciliation of Alternative Performance Measures

Items Affecting Comparability, IAC

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	2019 Jan-Dec
Costs						
Transaction Costs	-16	-20	-60	-20	-60	-20
Long term incentive programs	-13	-	-14	-	-14	-
Other costs	-4	-	-10	-	-17	-7
Total IAC affecting EBIT	-33	-20	-83	-20	-91	-28
Financial income						
Revaluation of earnouts	-	54	-	54	26	80
Total IAC financial income	-	54	-	54	26	80
Financial costs						
Revaluation of earnouts	-30	-60	-30	-60	-37	-66
Total IAC financial costs	-30	-60	-30	-60	-37	-66
Total IAC affecting financial items	-30	-5	-30	-5	-11	14

APM

MSEK	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	Last 12 months	Jan-Dec 2019
Adjusted EBITDA and EBIT						
Operating result	336	133	442	246	713	517
Excluding						
Items affecting EBIT comparability	33	20	83	20	91	28
Amortization of PPA items	94	14	150	27	224	101
Adjusted EBIT	463	167	676	293	1,028	645
Amortization and depreciation excluding PPA items	47	30	89	58	154	123
Adjusted EBITDA	510	197	765	351	1,182	768
Adjusted interest coverage ratio						
Adjusted EBITDA latest 12 months	1,182	631	1,182	631	1,182	768
Divided by						
Net financial items latest 12 months	111	107	111	107	111	64
Total IAC affecting financial items latest 12 months	-11	-5	-11	-5	-11	14
Adjusted interest coverage ratio, x	11.9	6.2	11.9	6.2	11.9	9.9
Adjusted leverage ratio						
Bond	1,602	1,082	1,602	1,082	1,602	1,085
Other interest-bearing liabilities	-	146	-	146	-	79
Cash and cash equivalents	-936	-324	-936	-324	-936	-342
Total net debt	665	904	665	904	665	822
Divided by						
Adjusted EBITDA latest 12 months	1,182	631	1,182	631	1,182	768
Adjusted leverage ratio	0.56	1.43	0.56	1.43	0.56	1.07

APM Pro Forma

MSEK	2020 Jan-Jun	2019 Jan-Jun
Adjusted EBITDA, pro forma		
Adjusted EBITDA latest 12 months	1,182	631
Including		
EBITDA, latest 12 months, Acquired companies	597	29
Adjusted EBITDA, pro forma	1,779	660
Adjusted interest coverage ratio, pro forma		
Adjusted EBITDA latest 12 months, pro forma	1,779	660
Divided by		
Net financial items latest 12 months	111	107
Total IAC affecting financial items latest 12 months	-11	-5
Adjusted interest coverage ratio, x, pro forma	17.8	6.5
Adjusted leverage ratio, pro forma		
Net debt	665	904
Divided by		
Adjusted EBITDA latest 12 months, pro forma	1,779	660
Adjusted leverage ratio, pro forma	0.37	1.37

Share data

	2020 Apr-Jun	2019 Apr-Jun	Last 12 months	Jan-Dec 2019
Equity per share				
Shareholders' equity attributable to parent company's shareholders, MSEK	5,799	1,751	5,799	1,942
Divided by				
No of shares end of period undiluted	34,143,708	26,128,972	34,143,708	26,339,453
Shareholders' equity per share undiluted, SEK	169.85	67.00	169.85	73.72
No of shares end of period diluted	34,241,585	26,308,210	34,143,708	26,431,583
Shareholders' equity per share diluted, SEK	169.37	66.54	169.85	73.46
Earnings per share				
Net result for the period attributed to parent company's shareholders, MSEK	186	75	455	338
Divided by				
Average no of shares period undiluted	32,395,253	24,342,256	28,556,567	25,237,953
Earnings per share undiluted, SEK	5.75	3.08	15.93	13.41
Average no of shares period diluted	32,493,130	24,521,494	28,556,567	25,330,083
Earnings per share diluted, SEK	5.73	3.06	15.93	13.36

Financial calendar

Interim Report July-September 2020
Year-End Report October-December 2020

11 November 2020
17 February 2021

This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on August 12, 2020 at 07.00 CEST.

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About Stillfront

Stillfront is a 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, UK 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: www.stillfront.com

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