

# STILLFRONT

GROUP

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## Stillfront Group acquires Moonfrog and enters the Indian subcontinent

**INSIDE INFORMATION:** Stillfront Group AB (publ) ("Stillfront") hereby announces that the company today has entered into an agreement to acquire 100% of the shares in Moonfrog Labs Private Limited ("Moonfrog"), a rapidly growing independent game studio based in Bangalore, India, focusing on Board and Social Card Games, for an initial consideration of approximately USD 90 million on a cash and debt free basis. The sellers are Moonfrog's joint founders and institutional investors.

### THE TRANSACTION IN BRIEF

- Stillfront acquires Moonfrog in four tranches, of which the first tranche of 91% of the shares in Moonfrog (the "**First Tranche**") shall be acquired for a consideration of USD 90 million on a cash and debt free basis (the "**Initial Consideration**") payable in cash upon completion of the acquisition of the First Tranche.
- The remaining 9% of the shares in Moonfrog are acquired through a maximum of three additional tranches (jointly, the "**Deferred Tranches**")
  - The consideration for the acquisition of the second tranche shall be an amount equal to 1.00x EBITDA for the period 1 January – 31 December 2021.
  - The consideration for the acquisition of the third tranche shall be an amount equal to 1.00x EBITDA if EBITDA is up to USD 20 million, and 1.25x EBITDA if EBITDA exceeds USD 20 million for the period 1 January – 31 December 2022.
  - The consideration for the acquisition of the fourth tranche shall be an amount equal to 0.50x EBITDA for the period 1 January – 31 December 2023.
  - The Deferred Tranches shall be paid in cash.
- Moonfrog has a preliminary unaudited IFRS converted net revenue and adjusted EBITDA for the period 1 January – 30 September 2020 of approx. USD 21 million and approx. USD 12 million, respectively.
- The Initial Consideration is equivalent of approximately 6x Moonfrog's preliminary and unaudited adjusted EBITDA for the calendar year 2020.
- The acquisition of Moonfrog provides Stillfront with an entry to the fast-growing markets of the Indian subcontinent. Furthermore, it enables substantial scaling and collaboration potential within the Stillfront Group, over long time.
- Closing of the transaction is subject to customary closing conditions and is envisaged to occur on 26 February 2021.

- Moonfrog will be consolidated into Stillfront's consolidated financial reporting from 1 March 2021.

"With the acquisition of Moonfrog, Stillfront adds a highly profitable and successful studio to the group and expands our geographic footprint to the Indian Subcontinent, a strategic move into one of the fastest growing mobile game markets worldwide. Moonfrog possesses a portfolio of successful games focusing, up until today, mainly on Board and Social Card Games which are highly popular in the region. Moonfrog provides us with a proven platform with experienced talent to build upon and an exciting potential to expand other Stillfront free-to-play games into the Indian subcontinent", says Jörgen Larsson, CEO, Stillfront.

"Stillfront is one of the leading free-to-play gaming groups in the world and we are delighted to become part of the team and play an important role as Stillfront's first game studio in the Indian subcontinent. As a part of Stillfront, we gain access to a great platform for expertise and knowledge sharing that we can leverage and learn from, while adding our own knowledge and experiences. We look forward to work together with the other successful studios in the group and continue to deliver on our vision to make mobile gaming inclusive in India and the rest of the subcontinent", says Tanay Tayal, Co-founder and CEO of Moonfrog.

## **BACKGROUND AND REASONS**

Founded in 2013, Moonfrog is an India-based rapidly growing and highly profitable developer of market leading Board and Social Card Games. One of its first titles, Teen Patti Gold, which translated into English means "Three Cards Gold", was launched in May 2014 and is one of the most popular mobile games in India and has over 10 million monthly active players globally. The game is a socially engaging and highly appreciated family card game in the Indian subcontinent. Rapidly growing Ludo Club, Moonfrog's next popular title, launched in September 2017, is a Board Game where players race tokens around a board. It is a version of a game played by royalty in ancient India. The game and its variations are popular in many countries.

With the acquisition of Moonfrog, Stillfront will establish a strong platform to expand organically and through M&A into the fast-growing Indian subcontinent. Furthermore, Moonfrog will focus on growing its current portfolio of games and launching its solid pipeline of new titles that will leverage on its premium technology infrastructure. As most of Moonfrog's revenues originate from the Indian subcontinent, there is a large potential for Stillfront to be a part of the thriving market for free to play mobile games and leverage its extensive marketing capabilities to localize and scale Moonfrog's games geographically. Moonfrog shows strong KPIs, including an impressive share of organic installs.

The market for mobile gaming in the Indian subcontinent is expected to generate revenues of more than USD 4.5 billion in 2021, growing by more than 25 percent year over year, significantly faster than the global market, according to Statista. As the mobile gaming market in the Indian subcontinent is undergoing rapid development, Stillfront has taken additional precautions during the due diligence process. During the due diligence process and continuous transparent dialogue with the local management team, Stillfront has recognized Moonfrog's thorough processes and ambitions regarding governance and monitoring, but also identified a need to further inform and educate relevant stakeholders in the Indian Subcontinent around the business model, terminology and components of free-to-play games.

## **THE TRANSACTION**

The transaction involves the initial acquisition of 91 % of the shares in Moonfrog, completion of which is expected to occur on 26 February 2021. Upon completion of the First Tranche, USD 90 million on a cash and debt free basis will be paid in cash to the sellers as the Initial Consideration. The Initial

Consideration will be subject to adjustment based on the cash, financial debt, transaction expenses and the difference between target and actual indebtedness of Moonfrog as of the date of completion of the First Tranche. The adjustment amount is payable by the sellers or Stillfront (as the case may be) in cash.

The remaining 9% of the shares in Moonfrog are acquired through the Deferred Tranches. The second tranche consideration shall be an amount equal to 1.00x EBITDA for the period 1 January – 31 December 2021, payable in cash upon closing of the second tranche which is expected to occur in 2022. The third tranche consideration shall be an amount equal to 1.00x EBITDA if EBITDA is up to USD 20 million, and 1.25x EBITDA if EBITDA exceeds USD 20 million for the period 1 January – 31 December 2022, payable in cash upon closing of the third tranche which is expected to occur in 2023. The fourth tranche consideration shall be an amount equal to 0.50x EBITDA for the period 1 January – 31 December 2023, payable in cash upon closing of the fourth tranche which is expected to occur in 2024.

The Initial Consideration including any adjustment consideration of the Initial Consideration (if any) is intended to be financed by cash at hand and available credit facilities. Since Stillfront will acquire the remaining 9% of the shares in Moonfrog as part of the Deferred Tranches, Stillfront and the sellers will enter into a shareholders' agreement in connection with the completion of the First Tranche. The shareholders' agreement will be entered into in order to establish certain terms and conditions regarding the business of Moonfrog and in order to regulate the internal relationship between Stillfront and the sellers with respect to ownership of shares in and governance of Moonfrog. The shareholders' agreement will be terminated when Stillfront is the owner of 100% of the shares in Moonfrog.

Key employees of Moonfrog will remain with the business and be part of the management of Moonfrog post-closing of the First Tranche. Moonfrog will be consolidated into Stillfront's consolidated financial reporting from 1 March 2021.

## ABOUT MOONFROG

India-based Moonfrog Labs is a rapidly growing developer and publisher of market-leading Board and Social Card Games. The studio, which was founded in 2013, has an extensive games portfolio of more than 20 games, including successful titles such as Ludo Club, Jalebi and Teen Patti Gold. Moonfrog Labs employs more than 160 employees and has its head office in Bangalore, India.

## PRELIMINARY UNAUDITED FIGURES FOR MOONFROG FOR JAN-SEP 2020

The below presented preliminary unaudited financials are solely intended to describe the financial situation of Moonfrog pre-closing of the First Tranche. All figures are preliminary and unaudited.

Moonfrog has a preliminary unaudited IFRS converted net revenue of approx. USD 21 million and adjusted EBITDA of approx. USD 12 million for the period 1 January – 30 September 2020, which represents an increase of approximately 7% on Stillfront's total net revenue and approximately 10% on Stillfront's total adjusted EBIT for the period January – September 2020.

## UNAUDITED PROFORMA INFORMATION JAN-SEP 2020\*

A preliminary proforma income statement for the nine months ended 30 September 2020 is shown below, with the purpose of describing a hypothetical financial result of Stillfront as if the acquisitions had been completed per 1 January 2020. No synergies have been taken into consideration. Moonfrog has thus far had INR as its reporting currency. The INR figures have been translated to SEK using the average FX-rate for the period, with INR/SEK at 0.1252. Stillfront has carried out a preliminary IFRS conversion of Moonfrog's financial result for the purposes of the pro forma financial statements. The preliminary pro forma income statement does not reflect other acquisitions done by Stillfront during the period, prior to their consolidation date in the Stillfront Group. All numbers are preliminary and unaudited.

Following completion of the First Tranche, Stillfront's leverage ratio will remain within its communicated leverage target of 1.5x EBITDA.

IFRS Unaudited SEKm[1]	Stillfront (As reported) YTD Q3' 20	Super Free YTD Q3'20	Sandbox YTD Q3'20	Stillfront, Super Free & Sandbox YTD Q3'20	Moonfrog YTD Q3' 20	Stillfront (Pro forma) YTD Q3' 20
Net revenue	2,910	539	101	3,550	199	3,749
Own work capitalized	241	31	12	285	15	300
Other revenue	11	1	1	13	0	13
<b>Total revenue</b>	<b>3,162</b>	<b>571</b>	<b>113</b>	<b>3,847</b>	<b>214</b>	<b>4,061</b>
<b>Adjusted EBITDA[2]</b>	<b>1,236</b>	<b>81</b>	<b>55</b>	<b>1,373</b>	<b>115</b>	<b>1,487</b>
<i>Adjusted EBITDA margin</i>	42%	15%	55%	39%	58%	40%
<b>Adjusted EBIT [3]</b>	<b>1,094</b>	<b>68</b>	<b>49</b>	<b>1,212</b>	<b>108</b>	<b>1,320</b>
<i>Adjusted EBIT margin</i>	38%	13%	49%	34%	54%	35%

## TRANSACTION COSTS

Stillfront's total costs for the transaction are estimated to amount to approx. SEK 23 million that will be accounted for in the Q1 2021.

## FINANCIAL AND LEGAL ADVISORS

Carnegie Investment Bank is financial advisor, DLA Piper and Trilegal are legal advisors and EY is financial and tax due diligence advisor to Stillfront in connection with the transaction.

Oakvale Capital is financial advisor, Shardul Amarchand Mangaldas & Co and AZB & Partners are legal advisors, and Dhruva Advisors and PWC are tax advisors to the sellers in connection with the transaction.

## CONFERENCE CALL FOR INVESTORS, ANALYSTS AND MEDIA

Representatives of Stillfront will participate in a conference call on 1 February 2021, at 10.00 CET. To participate, please use the details set out below.

**To participate by telephone, please dial:**

SE: +46 8 566 426 51 PIN: 396 792 41#  
UK: +44 33 330 008 04 PIN: 396 792 41#  
US: +1 855 857 06 86 PIN: 396 792 41#

**To participate via audiocast:**

<https://tv.streamfabriken.com/press-conference-q1-2021>

**Important information**

This announcement is not and does not form a part of any offer for sale of securities. Copies of this announcement are not being made and may not be distributed or sent into the United States, Australia, Hong Kong, Japan, Canada, Switzerland, South Africa or New Zealand or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures.

This announcement is for information purposes only and does not constitute a prospectus or any offer to sell or the solicitation of an offer to buy any security in the United States or any other jurisdiction. Any securities that may be issued in connection with the transactions referred to in this announcement will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and accordingly will not be offered or sold in the United States.

This announcement is not a prospectus for the purposes of Regulation (EU) 2017/1129 (together with any applicable implementing measures in any Member State).

Stillfront has prepared preliminary unaudited financials for Jan-Sep 2020 for Moonfrog, SuperFree, Sandbox and Stillfront with the purpose of describing the financial situation of Stillfront as if the acquisitions had been completed per 1 January 2020. No synergies have been taken into consideration. The financial information included in this announcement is condensed, preliminary, unaudited and subject to revision upon completion of the Stillfront’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. The preliminary allocation of the consideration for the acquisitions used in this unaudited preliminary pro forma information is based upon Stillfront’s preliminary estimates at the date of preparation of the preliminary pro forma information.

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 relating to the Transaction and 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. 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.

[i] \*Preliminary pro forma financials with the purpose of describing hypothetical financial results as if the transactions had been completed per 1 January 2020. No synergies have been taken into consideration. All numbers are preliminary and unaudited. The preliminary pro forma financial information does not include the acquisitions of Storm8, Candywriter, Nanobit or Everguild, prior to their respective consolidation date in the Stillfront Group. 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 Moonfrog. The preliminary allocation of the consideration for 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.

The USD, EUR and INR figures have been translated to SEK using the average FX-rate from the Swedish Riksbank for the period, with USD/SEK at 9.4650, EUR/SEK at 10.5603 and INR/SEK at 0.1252

[2] Adjusted EBITDA is EBITDA adjusted for Items Affecting Comparability ("IAC"). Adjusted EBITDA margin is EBITDA margin adjusted for IAC. IAC affecting EBITDA amounts to SEK -28m for Super Free, SEK -15m for Sandbox and -23m for Moonfrog related to estimated advisory transaction costs

[3] 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. IAC affecting EBIT amounts to SEK -100m for Super Free, SEK -69m for Sandbox and SEK -49m for Moonfrog relating to amortization of Purchase Price Allocation ("PPA") items and estimated advisory transaction costs

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

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#### **About Stillfront**

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Stillfront is a 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 approx. 1,000 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)

#### **Certified Adviser:**

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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 persons set out above, at 2021-02-01 08:25 CET.*

#### **Attachments**

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[Stillfront Group acquires Moonfrog and enters the Indian subcontinent](#)