

STILLFRONT GROUP

Press Release
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Stillfront Group acquires Game Labs Inc. and further strengthens its portfolio of strategy and action games and presents FY 2021 guidance for the acquisition

INSIDE INFORMATION: Stillfront Group AB (publ) ("Stillfront") has entered into an agreement to acquire 100% of the shares in Game Labs Inc, a Delaware corporation, ("Game Labs"). Founded in 2015, Game Labs is a rapidly growing independent game studio with a strong track record of developing strategy and action games for PC. The sellers are the joint founders and management of Game Labs. The upfront consideration, payable upon completion of the acquisition of 100% of the shares in Game Labs, amounts to USD 32.5 million on a cash and debt free basis, of which USD 9.75 million is payable in 981,813 newly issued shares in Stillfront and the remaining amount is payable in cash.

In addition, the sellers may receive an earn-out payment for each of the financial years 2021, 2022 and 2023 depending on the EBIT development of Game Labs during each of those financial years, however not exceeding USD 30 million in aggregate. The earn-out consideration will be payable 70 percent in cash and 30 percent in newly issued shares in Stillfront to the sellers during the subsequent year of the respective earn-out period.

Game Labs has a team of approximately 30 people located in Ukraine, Russia, Greece, Dubai, Italy and Estonia. Game Labs has a solid track record of developing highly immersive and critically acclaimed real time premium strategy and action games for PC and has so far released three launched games; Ultimate General: Gettysburg, Naval Action and Ultimate General: Civil War. In addition, two games are currently available in early access, one in pre-sales, and two games are under development. As a part of the Stillfront Group, the studio will continue expanding and improving its portfolio of premium games, but also expand into GaaS (games as a service) and free-to-play, with a clear focus on historical strategy and battle themes. The acquisition of Game Labs further strengthens Stillfront's existing portfolio of mid-hardcore games in the strategy and action genre, addressing primarily the attractive 30+ male audience.

UNAUDITED FORECAST FIGURES FOR GAME LABS FOR FULL-YEAR 2021

Game Labs is expected to generate proforma IFRS net revenue of approximately SEK 70-80 million and an adjusted proforma IFRS EBIT margin of approximately 50-55 percent for the full year 2021. The financial assumptions in 2021 is based on forecasts for the acquisition and the expected growth is fueled by a planned early access release in the last quarter of 2021. The transaction will result in an attractive earnings multiple for Stillfront in line with previous acquisitions. The implied EV/Adjusted EBIT 2021 multiple will be 6.9x, assuming a mid-range EBIT for 2021.

For the conversion to SEK, the Swedish Central Bank (Sw. *Riksbanken*) rate USD/SEK of 8.3995, corresponding to the average conversion rate for Q1 2021, has been used.

“With the acquisition of Game Labs we strengthen our position in the converging games market adding valuable niche genre competence in the strategy and action genre. Game Labs is an experienced and knowledgeable studio with a proven ability to launch high quality games. The studio has promising games in early access phase with large scaling potential, as well as a strong pipeline of unannounced titles. We see excellent potential for scaling Game Labs' games cross-platform as part of Stillfront, leveraging Stillfront's extensive experience in free-to-play combined with Game Labs' expertise in PC client”, says Jörgen Larsson, CEO & Founder, Stillfront Group.

“Joining Stillfront opens up a new chapter for Game Labs, allowing us to bring even more excitement and emotions for our beloved players by improving current games and by introducing new worlds for players to escape to. Stillfront's expertise in mobile and cross-platform, paired with its wider knowledge of the market, creates new opportunities that we would never even have imagined possible”, says Maxim Zasov, CEO of Game Labs.

The newly issued shares in Stillfront payable as part of the upfront consideration upon completion of the acquisition will be resolved based on the mandate to the board of directors of Stillfront granted at the extraordinary general meeting held on 17 December 2020. The number of shares in relation to the upfront consideration has been calculated using the volume weighted average price per share in Stillfront traded on Nasdaq First North Premier Growth Market during the ten trading days up to and including 6 May 2021 converted into USD at the average exchange rate between SEK and USD of the Swedish Central Bank published at <https://www.riksbank.se/en-gb/> during the same period, i.e. the subscription price per share related to the upfront consideration amounts to SEK 83.586. This corresponds to a dilution of approx. 0.27 percent on a fully diluted basis (i.e. based on the total number of shares and votes outstanding in Stillfront after the share issue).

The subscription price for newly issued shares related to the earn-out payments (if any) will be based upon the volume weighted average price of the shares in Stillfront traded on Nasdaq Firth North Premier Growth Market or such other market place on which Stillfront's shares are listed for a period of ten trading days prior to the date of Stillfront's announcement of financial results for the applicable earn-out period converted into U.S. Dollars at the average exchange rate between SEK and US Dollars of the Swedish Central Bank published at <https://www.riksbank.se/en-gb/> during the ten day period set forth above.

The 981,813 newly issued shares in Stillfront that are to be issued to the sellers upon payment of the upfront consideration are subject to customary transfer restrictions during a period of eighteen months of such date of receipt by the sellers of such shares. The newly issued shares in Stillfront that are to be issued to the sellers upon payment of the earn-out payments (if any) are subject to customary transfer restrictions during a period of twelve months from the date of receipt by the sellers of such shares.

Completion of the transaction is subject to customary closing conditions and is envisaged to occur within the next few days. The cash portion of the upfront consideration is intended to be financed by cash at hand and available credit facilities. Game Labs will be consolidated into Stillfront's consolidated financial reporting from May 2021.

The founders and other key employees will remain within Game Labs and be part of the management of Game Labs post-closing of the transaction.

FINANCIAL AND LEGAL ADVISORS

DLA Piper is legal advisor and EY is financial and tax due diligence advisor to Stillfront in connection with the transaction.

Aream & Co. is financial advisor and Orrick is legal advisor to the sellers in connection with the transaction.

IMPORTANT INFORMATION

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: Game Labs's future business development; the expected growth of Game Labs's user base; the expectation regarding the rate at which Game Labs can gain active users; Game Labs' ability to monetize the user base; and Game Labs' 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.

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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 to the sellers of Game Labs.

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.

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About Stillfront

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 1,250+ co-workers thrive in an organization that engenders the spirit of entrepreneurship. Our main markets are the US, Germany, MENA, UK and France. 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

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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 2021-05-07 08:35 CEST.

Attachments

[Stillfront Group acquires Game Labs Inc. and further strengthens its portfolio of strategy and action games and presents FY 2021 guidance for the acquisition](#)