



Q1'18 report
May 2018

Stillfront – market leader in online strategy games

Stillfront at a glance

- Market leader in the genre free to play browser and mobile strategy games, with very loyal customer base and long game life cycles
- Well-diversified game portfolio with established blockbuster IPs and many small to mid-sized growing and profitable IPs
- 5 million monthly users, MAUs, and 1 million daily users, DAUs, with main markets by revenue in US, Germany, France, MENA and UK
- Group of nine studios operating in Germany, Sweden, Romania, United States, Jordan, and Malta, with a total of 430 professionals. Headquartered in Stockholm
- ~35% of the whole Group is owned by active key individuals



DIGITAL GAMES



DORADO GAMES



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GOOD GAME

eRepublik Labs®

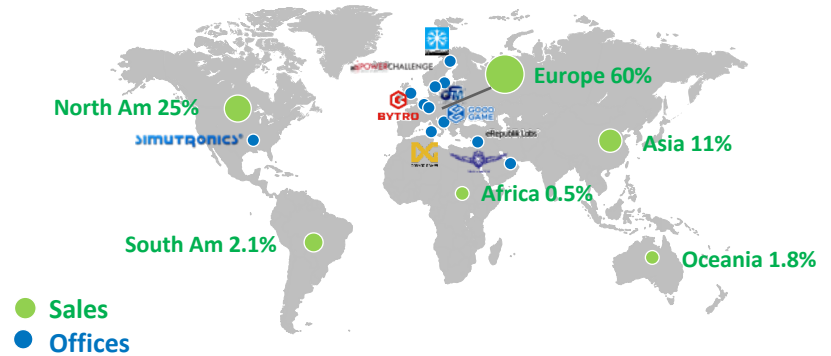
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POWERCHALLENGE
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OnlineFootballManager.com

Global presence



Massive track record

marketing spend
€200m
with high ROI



All time
400m
consumers to date

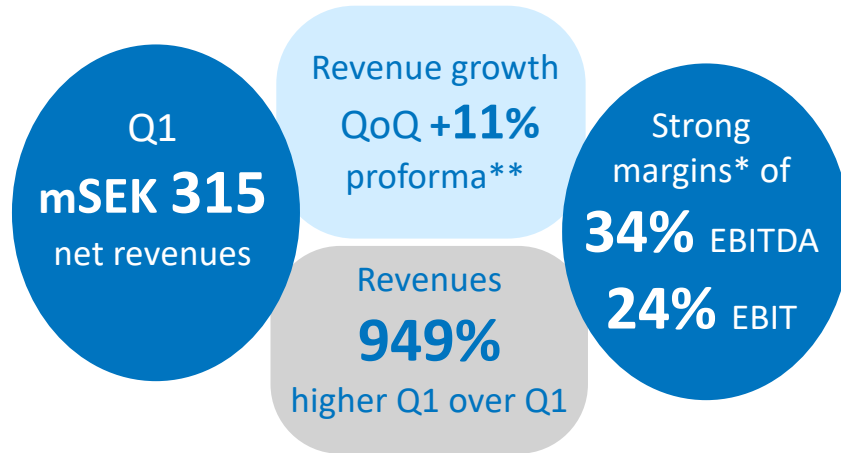
€ >1bn
in lifetime deposits

5m MAU
avg. # of MAUs

Empire
is one of the biggest
strategy games
of all time

Selected highlights Q1 report

Stillfront portfolio shows strength and stability



Investments and User Acquisitions Costs (UAC)

- ✓ Product investments and UAC are performance based i.e. data driven and evaluated on fROI
- ✓ Total investments (own work capitalized) amounted to 31 mSEK corresponding to 9.8% (long term target is 'at around 10%')
- ✓ UAC for Goodgame amounted to 71 mSEK (guidance were 70-75)
- ✓ Group's total UAC amounted to 85 mSEK, equal to 27% in relation to net revenues

The three really successful Q4 launches continue to grow

- ✓ War and Peace, Big Farm Mobile Harvest & Nida Harb
- ✓ Monetization metrics are very strong
- ✓ Big Farm Mobile Harvest has 7.5m registered users
- ✓ These products have total Q1 deposits of 51 mSEK
- ✓ High payback on investments and 'capital efficiency'
- ✓ Big Farm Mobile Harvest and Nida Harb are currently on par in revenues



Goodgame Studios delivers

- ✓ Revenue QoQ growth of 8%
- ✓ Empire and Big Farm show YoY growth from Feb'17
- ✓ Goodgame has a strong pipeline for 2H'18
- ✓ World-class marketing and distribution
- ✓ The strategic fit is very strong, creating synergies



* Adjusted for non-recurring items

** Stillfront Group's and Goodgame's revenues Q4 combined



Business Overview

Portfolio

Financials

Outlook 2018



The gaming market is exciting and contains some specific opportunities

A clear and well-executed strategy...

Thrilling market

- The largest entertainment market globally exceeding USD 100bn and still growing by ~8%
- Addresses basic human need of playing and competing, which is non-cyclical
- Dynamic changes with many new areas evolving
- Digital products and digital distribution opens for strong leverage on global growth

Critical success factors

- Manage title risks: fuel stars and kill darlings
- Attract and retain super fast moving consumers
- Master challenging tech with fast shifts
- Excel in marketing and distribution
- Possess top knowledge and experience

Strategic main areas

- Business model
- Product portfolio management
 - Go-to-market efficiency
 - Product life-cycle optimization
- Growth model including M&A

... is key

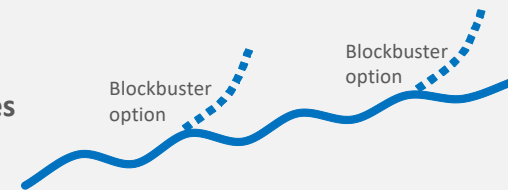
Stillfront's high predictability strategy

Less volatility means lower risk

Revenues



Revenues

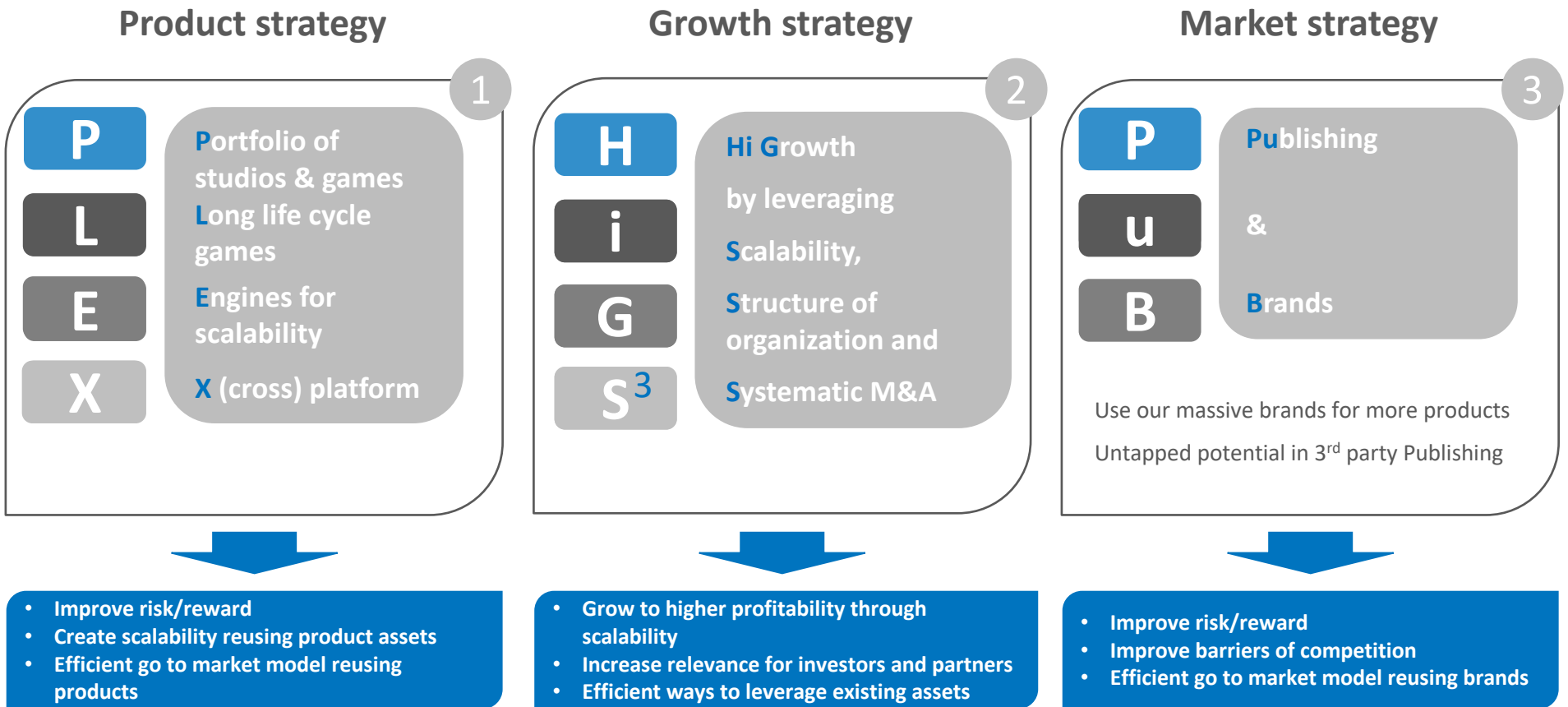


- Stillfront works systematically to form a sound and predictable business by utilizing the opportunities in the market
- Agility and execution power through high degree of de-centralization

Stillfront targets high predictability through an attractive position in the gaming industry

Business strategy based on three pillars

The strategy pillars have different purposes

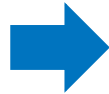


Stillfront's strategy has proven to be a powerful tool for reaching new targets and achieving progress

Free to play - a data driven business model (1/2)

The life cycle of consumers – tracking performance is key to scale user acquisition with positive ROI

User acquisition



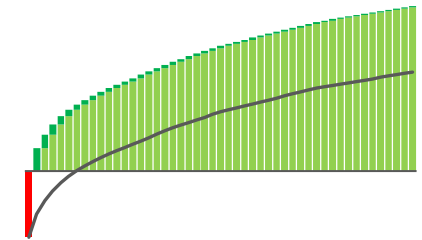
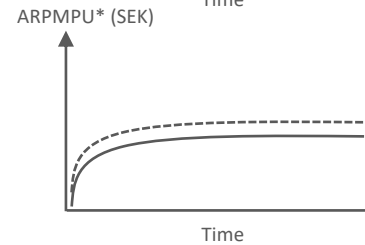
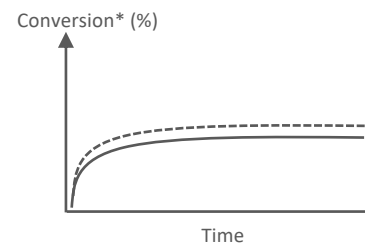
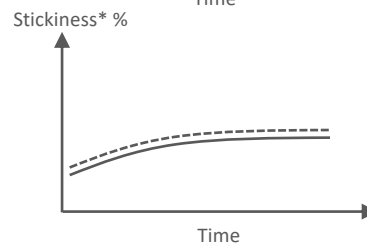
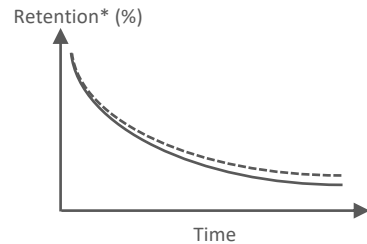
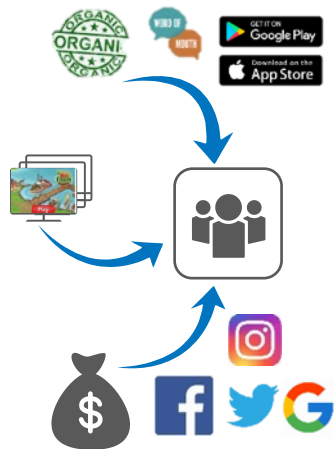
Active users



Paying Users



Lifetime Value



- Store featurings and partners drives large volumes of traffic
- Predictive models of Lifetime Value guides user acquisition spending
- Buying traffic at scale while keeping cost per user down is the goal

- Continuous work on improving retention and stickiness of the game – particularly onboarding and early game levels
- Pricing strategies, expansion of content and user-tailored offers are ways to improve conversion and revenue per user

- High quality data and predictive models matched with...
- ...a skilled performance marketing team ensures...
- ...predictable payback times and consistent good marketing ROI

Skillful user acquisition and data driven improvements can drive high margin profits for years beyond initial payback time

*) Retention: Share of users that are still active

*) Stickiness: Daily active users (DAU) as a share of monthly active users (MAU)

*) Conversion: Share of active users that are paying

*) ARPPMU: Average Revenue Per Monthly Paying User

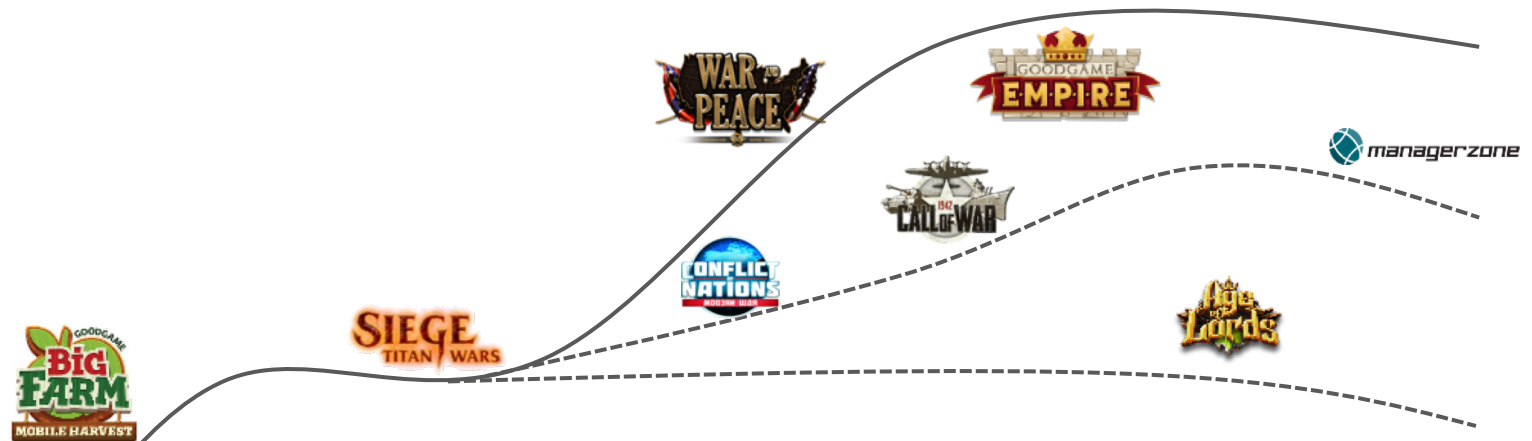
Free to play - a data driven business model (2/2)

The life cycle of a game – performance guides investments over the different phases



• Free to play games can sustain healthy revenue levels for years and even decades from launch

• Post-launch spendings - including marketing - are decided upon continuously based on ROI-analysis



- Development Costs
- Technical Launch
- Soft Launch
- Metrics support launch?

- High marketing spend
- DAU, MAU growth
- Revenue grows quickly
- Negative margins

- Improve user life cycle metrics based on data
- LTV vs. UAC
- DAU, MAU decline (userbase matures)

- Big marketing push... or smaller budgets...
- ...or pivot resources
- Content expansion
- Platform extension

- Less marketing spend
- Content expansion
- Retention, ARPPU
- High profitability

- No marketing invest
- Profitability
- Declining revenues

Balancing risk and reward to optimise ROI over the full portfolio, from smaller titles to large hits

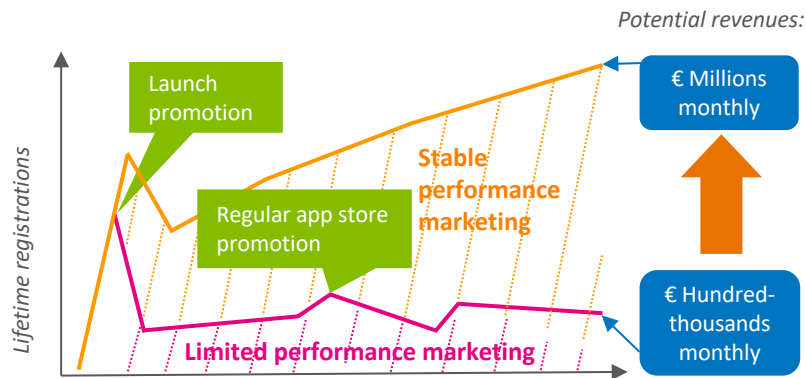
World-class marketing...

Marketing power and experience are instrumental for success

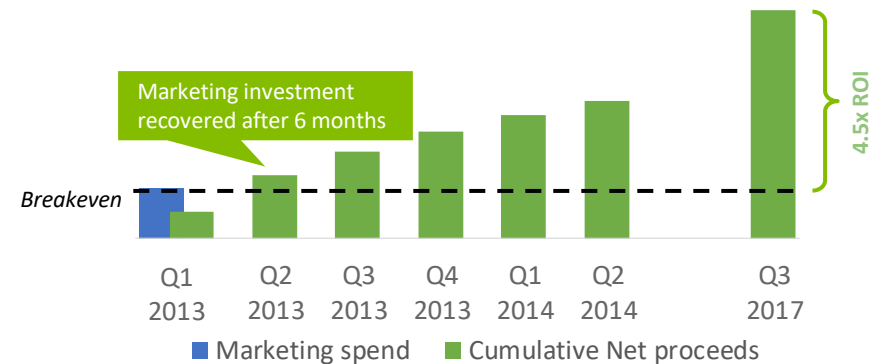
- €200M+ all-time adspend for ROI-positive, sophisticated performance marketing
- Hundreds of thousands of TV spots aired
- 25+ dedicated marketing specialists
- Frequent and high-scale app store promotions

The dynamics of successful performance marketing is that spending comes first, and after ~6 months comes pure profits

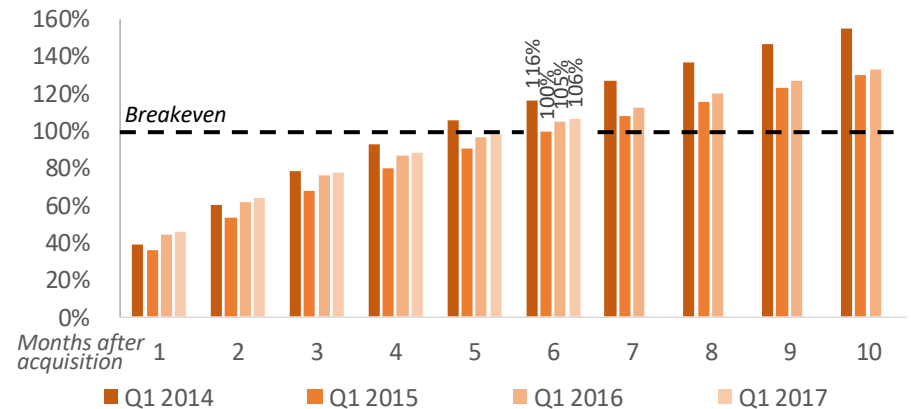
Performance marketing is key to large-scale success



Return on Marketing Spend, Q1 2013 Cohort¹



Return on Marketing, breakeven after six months¹



From Management Accounts

1: Includes marketing spend net proceeds from all games. Net proceeds = Net revenue – Transaction Costs

... and world-class distribution

#1 Global web distribution network

- Strong distribution channel for web games
- Active management and continuous expansion of Partner Network via specialized team
- Strong potential to be applied to all web games in Stillfront portfolio

Web distribution of Empire & Big Farm:

+350,000
Registrations/month

+€1,000,000
Bookings/month



16,000
PARTNER WEBSITES:
Free integration of
games



147,000,000
REGISTERED USERS



€137,000,000
BOOKINGS
Generated from revenue
share model

NO UPFRONT COST

HUGE REVENUE STREAM





**CONFLICT
OF
NATIONS**

MODERN WAR

Business Overview

Portfolio

Financials

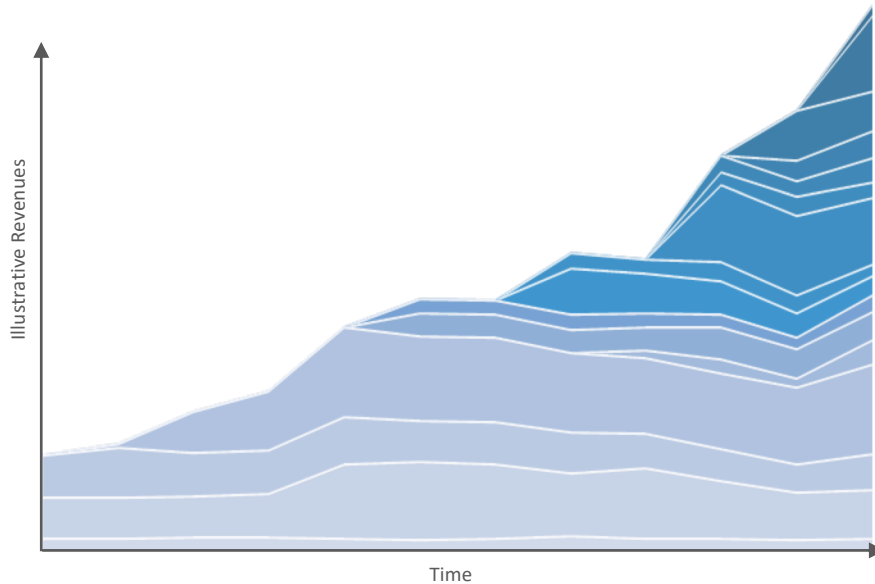
Outlook 2018



Go-to-market models leveraging existing assets

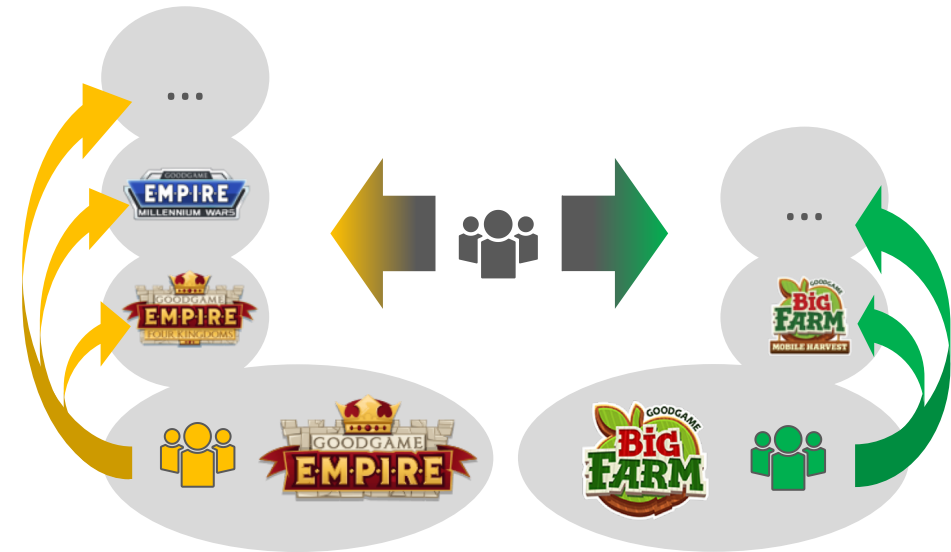
Several means of optimizing risk reward for high predictability

Leverage through engines



- ▶ High scalability by reuse of engines
- ▶ Thorough theme selection processes optimise theme and graphical appeal
- ▶ Low initial investment
- ▶ Incremental investment over life time all ROI based
- ▶ All decisions data driven

Leverage through brands



- ▶ High scalability by reuse of very strong and well established brands
- ▶ Thorough theme selection processes optimise theme and graphical appeal
- ▶ Extensive soft launch optimization processes
- ▶ Incremental investment over life time all ROI based
- ▶ All decisions data driven

Many stable games in portfolio provide basis and cash flow for development and financing of new launches

Platform extension and brand expansion

Portfolio leverage in several dimensions

Platform extension of one product



Potential value of platform extension
+20 – 50% per product

Platform extension:

- ✓ Singular game with multiple accessibility
- ✓ Leverages existing products' assets
- ✓ Improves distribution, interaction, retention, time and spend on existing product
- ✓ Mobile access could contain PWA, Native, HTML5 mobile browser

Brand expansion:

- ✓ Separate brand with multiple products
- ✓ Leverages brand awareness and existing products' assets
- ✓ Designed for optimal user experience per platform
- ✓ Multiplies distribution, interaction, retention, time and spend

Any product could extend on platforms

Brand expansion into several products



Potential value of brand expansion
+100% product

Efficient ways of expanding value of portfolio

Stable and highly profitable portfolio with strategy genre focus

Continuously evolving game portfolio with strong game build-up creates stable revenue base

Empire brand

57%*



- ▶ One of the biggest strategy game brands of all time
- ▶ >175m users and €700m revenues
- ▶ Currently contains three products: Goodgame Empire, Empire: Four Kingdoms and Empire: Millennium Wars (Mobile)
- ▶ One additional Empire product to be released during first half of 2018: Empire: Millennium Wars (Web)

Q1

- ▶ Deposits**: SEK 179m (+2.5% Q-o-Q)
- ▶ UAC: SEK 35m
- ▶ MAU: 2.2m
- ▶ DAU: 463k
- ▶ MPU: 82k

Big Farm brand

21%*



- ▶ Very successful simulation brand
- ▶ >60m users and €110m revenues
- ▶ Currently contains two separate products: Goodgame Big Farm and Big Farm: Mobile Harvest
- ▶ Higher share of female users than most other Stillfront games
- ▶ Further simulation IPs and products planned for the Big Farm brand

Q1

- ▶ Deposits**: SEK 68m (+23% Q-o-Q)
- ▶ UAC: SEK 36m
- ▶ MAU: 1.7m
- ▶ DAU: 400k
- ▶ MPU: 54k

Core Products

21%*



- ▶ Products with potential of 100mSEK life time revenues and annually revenues of 5-50 mSEK
- ▶ In total now 18 products
- ▶ Largest products in Q1:
 - ▶ Nida Harb 3: SEK 12.7m
 - ▶ War and Peace: SEK 10.8m
 - ▶ Call of War: SEK 9.4m

Q1

- ▶ Deposits**: SEK 67m (+16% Q-o-Q)
- ▶ UAC: SEK 14m
- ▶ MAU: 1.0m
- ▶ DAU: 253k
- ▶ MPU: 36k

Other

<1%*

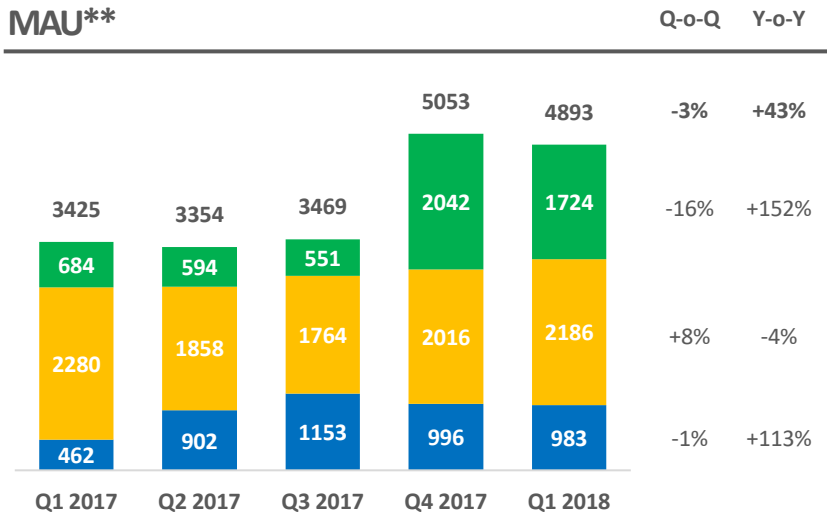
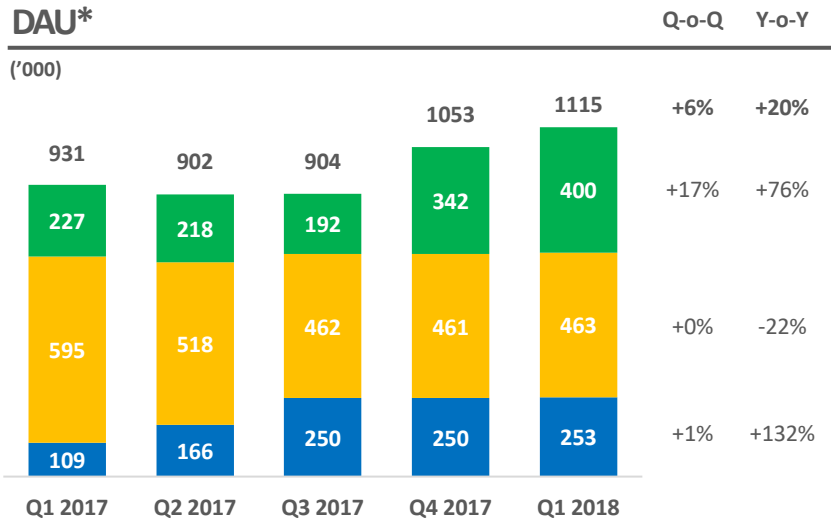


- ▶ Long tail products
- ▶ In total more than 10 products
- ▶ Low potential but still contributing
- ▶ No investments or live ops
- ▶ Assets can be reused

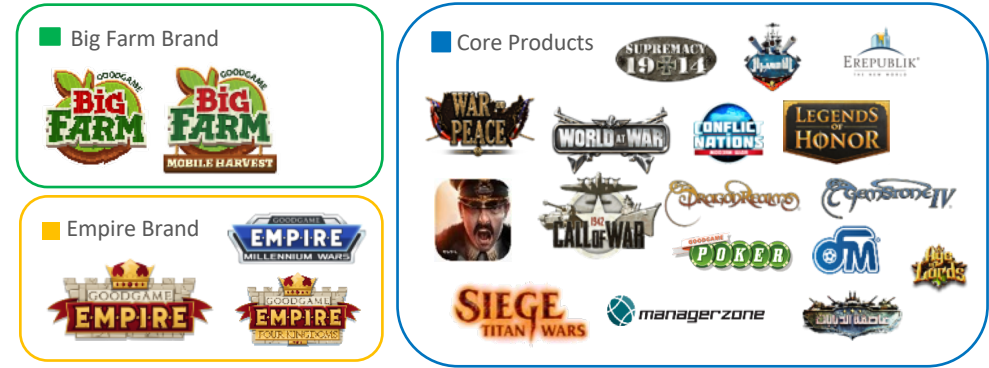
* % share of group deposits in Q1 2018

** Deposits are unadjusted revenues

Active Users



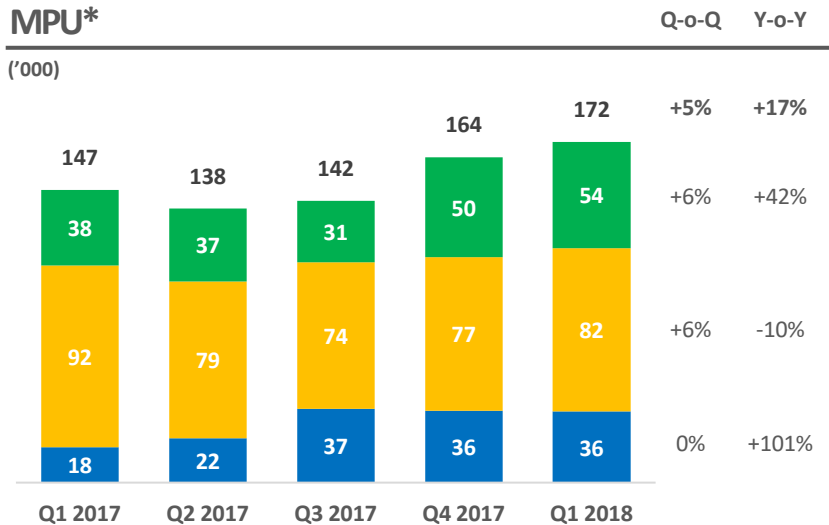
*) Average unique daily active users over the quarter
 **) Average unique monthly active users over the quarter



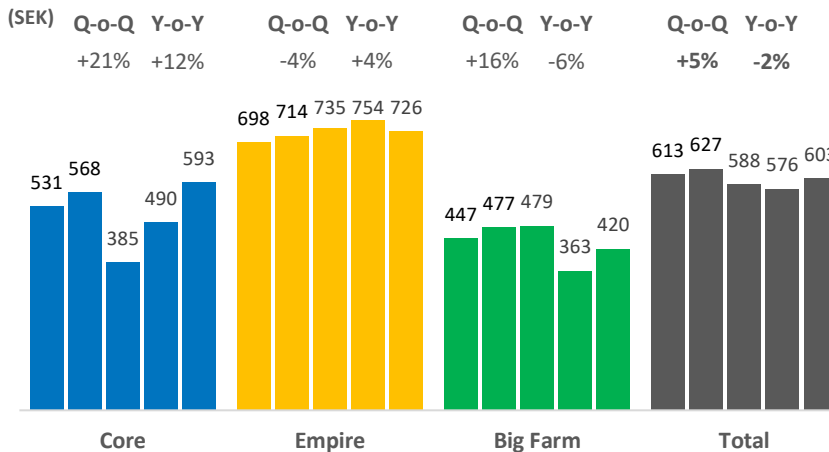
Comments Q1 2018

- Big Farm brand had continued strong growth of DAU while MAU came down – stickiness up as expected as Big Farm: Mobile Harvest went from launch to refinement phase
- Empire brand had Q-o-Q MAU growth with stable DAU. Empire: Millenium Wars had no material impact on Q1 numbers.
- Core Products had stable DAU and MAU, with stickiness growing further to 26% as Nida Harb 3 and War and Peace went from launch to refinement phase.

Paying Users



ARPMU**



Comments Q1 2018

- ARPMU in Core Products grew strongly as high ARPMU products Nida Harb 3 and War and Peace grew their share of the portfolio
- Big Farm segment growing both amount of paying users and their average revenue as Big Farm: Mobile Harvest went from launch phase to refinement phase
- In total, Stillfront product portfolio delivered Q-o-Q growth in both amount of paying users and average deposits per paying user.

*) Average unique monthly paying users over the quarter

**) Average deposits net VAT per monthly paying user over the quarter

Due to alignment of ManagerZone MPU definition to Group standard, 2017 MPU and ARPMU numbers for ManagerZone have been adjusted

Nida Harb III update



Tremendous traction

Efficient sourcing on well established own Nida Harb IP

- Nida Harb I and II has been among the highest grossing games from Babil attracting large audiences
- Nida Harb III is based on a high quality third party products from a strong Asian partner
- By reusing tech, assets and experience from the previous games, the initial investment was ~1mSEK only

Excelling in regional market knowledge, operations and relationships are success factors

- Highly polished content with a significant portion culturized content
- Specialized regional adopted features and graphics
- Events based upon regional culture and other specifics
- High level of regional customer support
- Live op's based upon deep regional knowledge increases player engagement and other KPIs

A flying start has been followed by tremendous growth traction

- Monetization KPIs are exceptionally strong
- Several regional top featurings by Google and Apple
- Performance marketing ramped up during Q1 with very high fROI
- Nida Harb has been among the MENA region's highest grossing strategy game
- Deposits* in Q1 amounted to 12.7 mSEK
- Revenue levels during first half of Q2 makes Nida Harb on par with Big Farm Mobile Harvest



* Deposits are unadjusted revenues

Call of War update



The platform extension is paying off

Mobile

- CoW has gone mobile in several ways; HTML5, PWA and Android and iOS native Apps
- Steady increase in mobile usage, 50% - 55% of DAUs partly or solely use mobile devices
- ~25% of transactions and 15-20% of revenues through mobile, increasing
- Profitable performance marketing achieved
- Bytro very well positioned, sharing knowledge and tech with other Stillfront studios.

Steam

- Reaches a very attractive audience
- 5-10% of CoW revenues now comes from Steam
- Bytro very well positioned, sharing knowledge and tech with other Stillfront studios.
- Conflict of Nations launched on Steam leveraging Bytro's SUP engine development.

True cross platform extensions are now paying off

- Call of War deposits* in Q1 amounted to 9.4 mSEK
- Additional distribution channels for existing products, with solid organic influx of users
- Increased player engagement driving monetization
- Platforms are complementing each other with very limited cannibalization
- The investments in mobile and Steam adjustments are paying off already, even more as the knowledge is spread to the other studios



* Deposits are unadjusted revenues

Big Farm Mobile Harvest update

Most successful product launch so far

Expansion on massive brand

- Most successful launch in Goodgame history
- Successfully expanded the Big Farm brand to mobile and is highly appreciated by the fans
- Reached 7.5 Million players in 22 languages within the first six months
- Successful collaborations with Influencers, including Germany's biggest Youtube-Star with 5 million subscribers
- Able to run TV campaigns with profitability for Big Farm Web and Big Farm Mobile Harvest combined

Significant updates for further KPI improvements

- Regular updates showed continuous KPI improvements
- Close cooperation with editorial teams to achieve frequent featureings
- Top rated in Google's and Apple's app stores

Continues impressive growth

- Big Farm Mobile Harvest deposits* in Q1 amounted to 27.4 mSEK
- Achieved the 1m€ monthly deposits* target within the first six months
- Shows continuous revenue growth every quarter



* Deposits are unadjusted revenues



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The new group – Income Statement 2018 Q1

MSEK	Jan-Mar 2018
Net revenues	315
Other revenues	37
Total	352
General operating expenses	-246
Adjusted EBITDA	106
Depreciation, amortization and write-downs	-31
Adjusted EBIT	75
Non-recurring costs	-2
EBIT	73
Financial items	-5
EBT	68
Taxes for the period	-22
Net result for the period	46

Comments

- Net revenues 315 MSEK
 - Q-o-Q growth 11% Pro forma
- Adjusted EBITDA 106 MSEK
 - 34% adj EBITDA margin
- Adjusted EBIT 75 MSEK
 - 24% adj EBIT margin
- Annualised numbers (2018 Q1 multiplied by 4):
 - Net revenues 1259 MSEK
 - Pro forma 2017: 1083 MSEK, +16% Y-o-Y
 - Adj EBITDA 425 MSEK
 - Pro forma 2017: 367 MSEK, +16% Y-o-Y
 - Adj EBIT 300 MSEK
 - Pro forma 2017: 240 MSEK, +25% Y-o-Y

The new group - Balance Sheet 2018-03-31

MSEK	2018-03-31
Intangible non current assets	1 522
Tangible non current assets	10
Deferred tax assets	14
Current receivables	133
Cash and bank	145
Total assets	1 822
Shareholders' equity	
Shareholders' equity attributable to parent company's shareholders	858
Non-Controlling interest	19
Total Shareholders' equity	877
Non-current liabilities	
Non-current liabilities	179
Bond	497
Current liabilities	
Current liabilities	269
Total Liabilities and Shareholders' equity	1 822

Comments

- From an accounting perspective, the acquisition of GGS is treated as a reverse acquisition, i.e. as if GGS acquired Stillfront Group
 - Intangible assets heavily impacted by accounting reverse acquisition
- Group amortizations higher than new capitalizations
- Intangible assets mainly consists of
 - capitalized product development (163 mSEK)
 - Pertains to GGS up until 2017-12 and new group 2018 Q1
 - acquired products (219 mSEK)
 - Pertains to Stillfront's products until 2017-12, acquired by GGS (accounting reverse acquisition)
 - Goodwill (1139 mSEK)
 - Pertains to GGS's acquisition of Stillfront (accounting reverse acquisition)
- Non-current liabilities mainly attributable to
 - expected earn-out payments (64 mSEK)
 - deferred tax liabilities (78 mSEK)



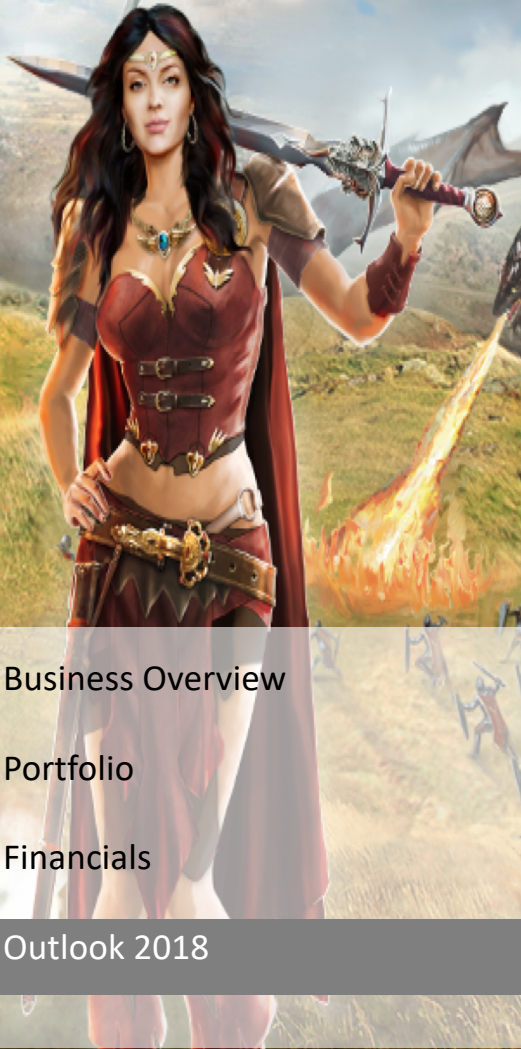
WORLD AT WAR



WAR AND PEACE
AMERICAN CIVIL WAR



Age of Lords



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Financial targets for the new Stillfront Group

Financial targets and dividend policy

Growth

- Stillfront's long-term revenue growth objective is to have a yearly organic growth above market growth
- In addition to growing organically, Stillfront will continue to grow through acquisitions

Above market

Margin

- Stillfront's long-term profitability goal is to have an EBIT margin in excess of 30 per cent

>30%

Dividend

- Stillfront's dividend policy is to distribute annual dividends up to 50 per cent of the Group's net profit
- Dividends may vary from year to year depending on M&A activity and the Group's financial position

Up to 50%

Leverage

- Stillfront intends to maintain a Net Debt / EBITDA ratio below 1.5x
- The Group may however, under certain circumstances, choose to exceed such level during short time periods

Below 1.5x

Stillfront will initiate a process with the aim to be listed on Nasdaq Stockholm main market within 12 months from closing the transaction

Outlook 2018

Growth is highest priority

Strategic and tactical priorities

1. Growth of products and studios, organically and through M&A
2. EBIT margin
3. Synergies and leverage
4. Further reward/risk balancing for predictability and stability

Further expansion of portfolio

- We have refined our go-to-market efficiency even further with incremental approach, engines and brands
- Extensions of engines for future rapid development of titles; Siege engine, SUP engine and eRep engine
- Siege: Titan Wars, Football Empire, Twin Shooter 2 and 2x Millennium Wars are all in launch processes
- We continue with having launch processes over several months
- Our pipeline for 2H 2018 and 2019 is the strongest ever

Synergies and leverage for value creation

- Synergy potential with Goodgame is significant. Several projects ongoing
- Inter-studio exchange of knowledge and experience is higher than ever
- The degree of leverage our core assets increases steadily; engines, marketing & distribution, tech and brands

Acquisitions

- Our four step model over how to accelerate value add through M&A has proven to deliver very strong results
- Deal flow significantly higher both in volume, quality and size
- Attractive reward/risk with the Stillfront business model of high decentralization

- General:**
- *Our vision is to be the leading group of indie studios, delivering high shareholder value through high profitable growth with diversification and lower risk than comparable companies*
 - *We prioritize to build long term strength prior to short gains. Stillfront play a long term game.*

Our exciting journey continues - creating shareholder value.



Thank you