



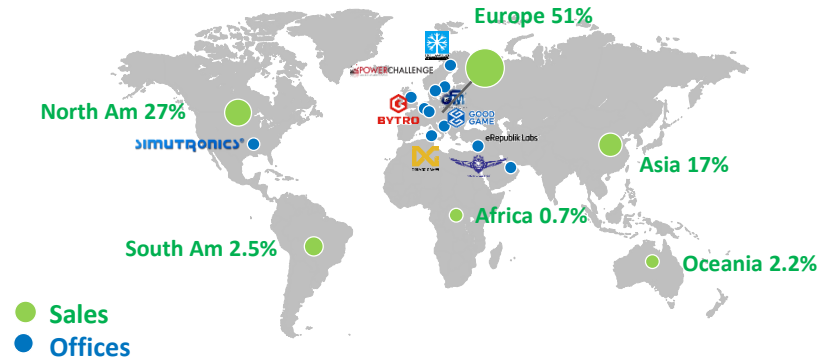
Q2'18 report  
August 2018

# 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
- 4.2 million monthly users, MAUs, and 1 million daily users, DAUs
- Main markets by revenue are US, Germany, MENA, France and UK
- Group of nine studios operating in Germany, Sweden, Romania, United States, Jordan, and Malta total of 415 professionals. Headquartered in Stockholm

## Global presence



## Massive track record





Business Update

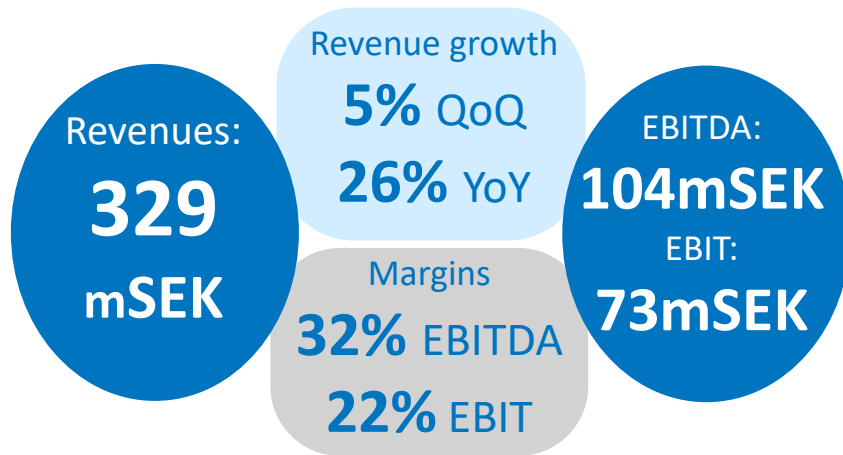
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# Selected highlights Q2 report

## Stillfront portfolio shows strength and stability



## Investments and User Acquisitions Costs (UAC)

- ✓ Product investments and UAC are performance based i.e. data driven and based on fROI
- ✓ Total investments (own work capitalized) amounted to 34 mSEK corresponding to 10% (long term target is 'at around 10%')
- ✓ High return on investments and very limited expansion of our own work capitalized in balance sheet – 'capital efficiency'
- ✓ Group's total UAC amounted to 95 mSEK, equal to 29% in relation to net revenues. Up from 85 in Q1, effecting margins by -3%.

\* Adjusted for non-recurring items

\*\* Stillfront Group's and Goodgame's revenues Q2 combined

## Growth and ATH in average revenue thanks to Q4 launches

### War and Peace, Big Farm Mobile Harvest & Nida Harb

- ✓ 11.5m registered users since launch of these products
- ✓ Q2 deposits of 79 mSEK equal to 55% sequential growth
- ✓ Monetization metrics are very strong driving the whole Group in reaching all-time-high average player revenue
- ✓ Babil Games has secured the global exclusive right to Nida Harb, to be soft launched in September



## Portfolio strategy works, realizing synergies

- ✓ We optimize efforts and capital over the whole Stillfront portfolio enabling strong group portfolio performance
- ✓ Goodgame revenue development QoQ -3% and YoY +7%, well compensated by other products
- ✓ Goodgame is now running the marketing for Nida Harb III and will be running the marketing for Nida Harb globally
- ✓ Cost synergies of tech sharing and improved trading conditions

# High company activity on slower market



## Lower consumer activity in summer

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- June and into Q3 lower activity in Europe due to extreme weather and World Cup, creating stronger seasonality effects than usual
- Lower return on marketing in June, back to normal in July
- Sequential lower MAU and DAU, increased stickiness and monetization which is a natural pattern during periods of fewer new products and seasonality
- The Group strongly benefits from having a broad portfolio consisting of strongly cash-generative products fuelling organic growth in other areas and new products

## Synergies coming into play

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- Goodgame has taken over marketing for Nida Harb III from external Babil partner, saving 20% on marketing spend
- GGS will also be the publisher for the international version of NH3
- GGS supports Simutronics in the launch preparations of their next product
- Bytro shares knowledge on true x-platform and HTML5
- GGS shop and anti fraud solutions will be used also by Bytro

## High pace in product and market development

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- Very high activity level with many updates of existing, launches of new, and development of coming products
- Launch plans continuously updated to adapt to market activity and other timing considerations
- Goodgame put significant efforts into transforming Flash products to HTML5, to be finalized in Q4
- These factors create a strong momentum for Q4 and Q1

## High pace in corporate development

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- Main market listing project: GAP analysis made and project ongoing
- Strengthening of organisation (Board, IR, Finance)
- New headquarters' offices
- We are successfully optimizing marketing efforts over studios, leveraging the Group's combined assets and knowledge
- High M&A activity

# Stable and highly profitable portfolio with strategy genre focus

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

## Empire brand

50%\*



- ▶ One of the biggest strategy game brands of all time
- ▶ >175m users and €700m revenues
- ▶ Currently contains four products: Goodgame Empire, Empire: Four Kingdoms, Empire: Millennium Wars (Mobile) and Empire: Millennium Wars (Web)

### Q2

- ▶ Deposits\*\*: SEK 166m (-7% Q-o-Q)
- ▶ UAC: SEK 25m
- ▶ MAU: 1.7m
- ▶ DAU: 403k
- ▶ MPU: 76k

## Big brand

22%\*



- ▶ 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
- ▶ Big Company: Skytopia launched during Q3

### Q2

- ▶ Deposits\*\*: SEK 74m (+9% Q-o-Q)
- ▶ UAC: SEK 50m
- ▶ MAU: 1.5m
- ▶ DAU: 372k
- ▶ MPU: 53k

## Core Products

27%\*



- ▶ Products with potential >100mSEK life time revenues and annually revenues of 5-100 mSEK
- ▶ In total now 19 products
- ▶ Largest products in Q2:
  - ▶ Nida Harb III: SEK 35m
  - ▶ Call of War: SEK 12m
  - ▶ War and Peace: SEK 10m

### Q2

- ▶ Deposits\*\*: SEK 89m (+33% Q-o-Q)
- ▶ UAC: SEK 20m
- ▶ MAU: 1.0m
- ▶ DAU: 246k
- ▶ MPU: 38k

## Other

<1%\*

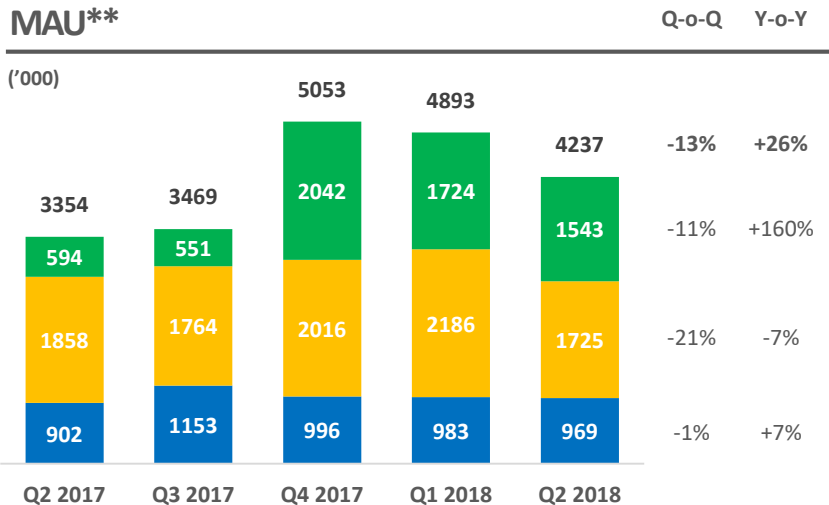
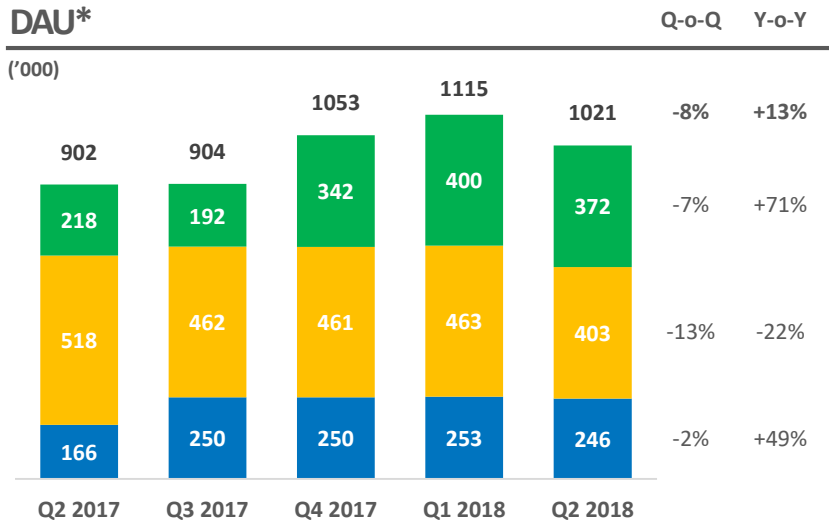


- ▶ Long tail products
- ▶ In total more than 10 products
- ▶ Low potential but still contributing
- ▶ No investments or live ops
- ▶ Assets can be reused

\* % share of group deposits in Q2 2018

\*\* Deposits are unadjusted revenues

# Active Users

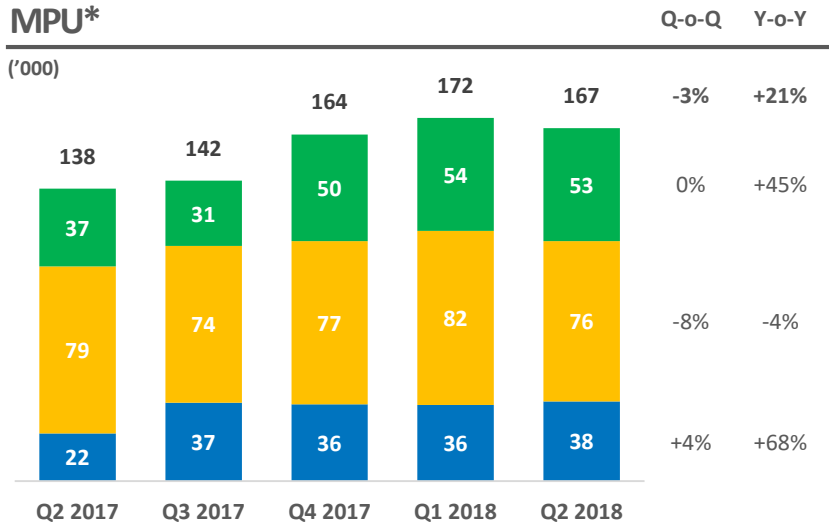


**Comments Q2 2018**

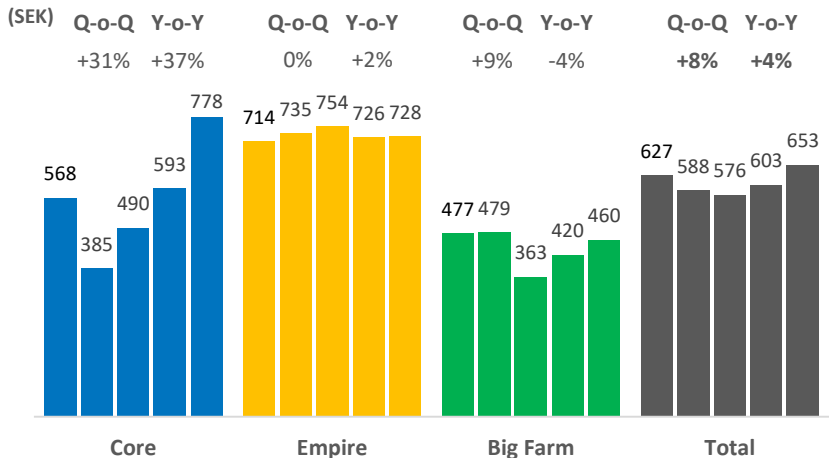
- Generally seasonality effects as usual in Q2 – particularly this year in Europe with extreme heat and soccer World Cup
- 'Big' brand continued to increase stickiness as Mobile Harvest is in refinement phase
- 'Empire' brand lowered due to seasonality and lower UAC
- Core Products showed were falt in volume, but strong in monetization

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

# Paying Users



## ARPMU\*\*



## Comments Q2 2018

- Stillfront total portfolio showed record high monetization on an almost flat paying userbase in a usually slow quarter
- ARPMU in Core Products continued very strong growth driven mainly by Nida Harb III success in MENA region
- 'Big' segment continued growth of ARPMU with stable MPU numbers, driven by Mobile Harvest refinements and additional large content updates.

\*) Average unique monthly paying users over the quarter

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



# Nida Harb III update



Strong traction. Going global.

Efficient sourcing on well established own Nida Harb IP

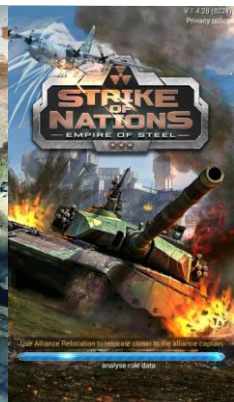
- Nida Harb I and II has been among the highest grossing games from Babil attracting large audiences
- Nida Harb III is based on a high quality third party products from a strong Asian partner
- By efficient sourcing and culturization, the initial investment was ~1mSEK only
- This create a high capital efficiency and ROI

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
- Live op's based upon deep regional knowledge increases player engagement and other KPIs

A flying start has been followed by strong growth traction – and there is more to come going global

- Monetization KPIs are exceptionally strong
- Nida Harb III has been among the MENA region's highest grossing strategy game
- In Q2 Nida Harb was the Group's third highest grossing game
- Deposits\* in Q2 amounted to 35 mSEK yielding 173% sequential growth
- Performance marketing is now being performed by Goodgame
- Babil has secured the global rights to the products which will be soft launch in Q3 in co-op with Goodgame



\* 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 MAUs partly or solely use mobile devices
- ~25% of transactions and 20-25% of revenues through mobile, increasing
- Profitable performance marketing achieved for native mobile apps
- Bytro very well positioned, sharing knowledge and tech with other Stillfront studios.

### Steam

- Reaches a very attractive audience
- 5-10% of 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 Q2 amounted to 12 mSEK, yielding 25% sequential growth
- Additional distribution channels for existing products, with solid organic influx of users
- Increased player engagement driving monetization
- Platforms are complementing each other with no cannibalization



\* 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 9 Million players in 22 languages
- Successful collaborations with Influencers, including Germanys 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

## Continued growth

- Significant content update in May
- Big Farm Mobile Harvest deposits\* in Q2 amounted to 34 mSEK, yielding a 25% sequential growth
- Shows continuous revenue growth every quarter



\* Deposits are unadjusted revenues



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# Income Statement 2018 Q2

<b>MSEK</b>	<b>Apr-Jun 2018</b>
Net revenues	329
Other revenues	49
<b>Total</b>	<b>378</b>
General operating expenses	-274
<b>Adjusted EBITDA</b>	<b>104</b>
Depreciation, amortization and write-downs	-31
<b>Adjusted EBIT</b>	<b>73</b>
Items affecting comparability	-10
<b>EBIT</b>	<b>63</b>
Financial items	-11
<b>EBT</b>	<b>52</b>
Taxes for the period	-21
<b>Net result for the period</b>	<b>31</b>

## Comments

- Net revenues 329 MSEK
  - Y-o-Y growth 26% Pro forma
- Payment providers, platform fees, royalties 86 MSEK
  - Gross margin 74%
- User Acquisition Costs (UAC) 95 MSEK
- Staff 59 MSEK
- Adjusted EBITDA 104 MSEK
  - 32% adj EBITDA margin
- Adjusted EBIT 73 MSEK
  - 22% adj EBIT margin
- Annualised numbers (2018 Q2 multiplied by 4):
  - Net revenues 1316 MSEK
    - Pro forma 2017: 1083 MSEK, +22% Y-o-Y
  - Adj EBITDA 416 MSEK
    - Pro forma 2017: 367 MSEK, +13% Y-o-Y
  - Adj EBIT 292 MSEK
    - Pro forma 2017: 240 MSEK, +22% Y-o-Y

# Balance Sheet 2018-06-30

<b>MSEK</b>	<b>2018-06-30</b>
Intangible non current assets	1 531
Tangible non current assets	9
Deferred tax assets	14
Current receivables	133
Cash and bank	80
<b>Total assets</b>	<b>1 767</b>
<b>Shareholders' equity</b>	
Shareholders' equity attributable to parent company's shareholders	895
Non-Controlling interest	22
<b>Total Shareholders' equity</b>	<b>917</b>
<b>Non-current liabilities</b>	
Non-current liabilities	188
Bond	489
Current liabilities	173
<b>Total Liabilities and Shareholders' equity</b>	<b>1 767</b>

## 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 level with new capitalizations
- Intangible assets mainly consists of
  - capitalized product development (179 MSEK)
    - Pertains to GGS up until 2017-12 and new group 2018 H1
  - acquired products (206 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 (72 MSEK)
  - deferred tax liabilities (80 MSEK)



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# Financial targets

## 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

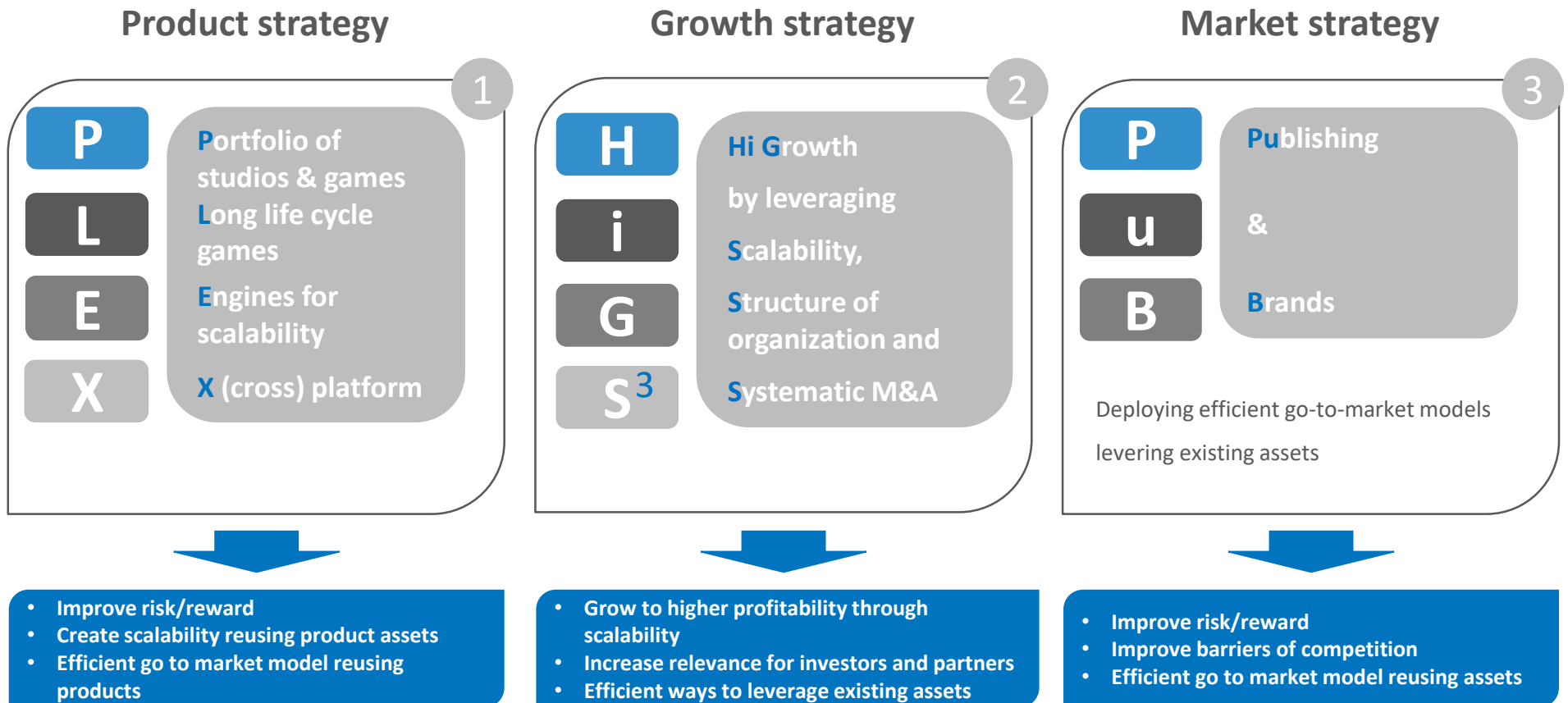
Below  
1.5x

Stillfront have initiated a process with the aim to be listed on Nasdaq Stockholm main market in early 2019



# Business strategy based on three pillars

Achieving leverage, capital efficiency and favorable risk/reward



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

# Outlook 2018

## Profitable 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

- Extensions of engines for future rapid development of titles; Siege, SUP, eRep, Big and Empire engines
- Launches of Millennium Wars, Skytopia, Vietnam War: Platoons, Strike of Nations we expect will gradually contribute from September to Q1. Lower expectations on Siege: Titan Wars, Football Empire and Battlestar.
- Our pipeline for 2H 2018 and 2019 is the strongest ever

### Synergies and leverage for value creation

- Synergy with Goodgame is significant. Several projects ongoing
- Inter-studio exchange of knowledge and experience is higher than ever
- The degree of leverage of 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



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# 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

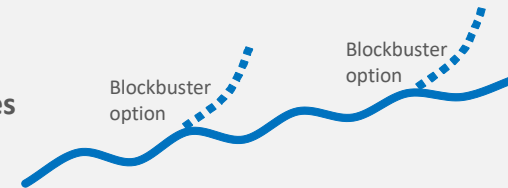
## Stillfront's high predictability strategy

Less volatility means lower risk

Revenues



Revenues



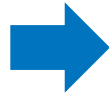
- Stillfront works systematically to form a sound and predictable business by utilizing the opportunities in the market
- Agility and execution power through high degree of de-centralization

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

# 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



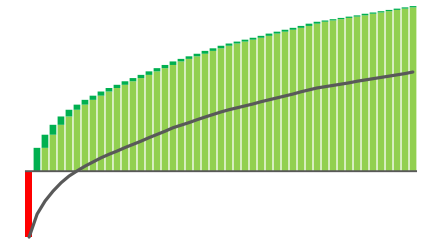
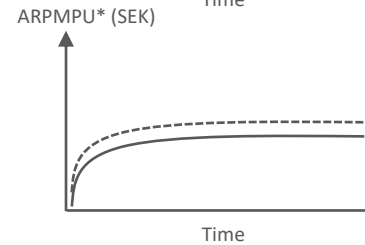
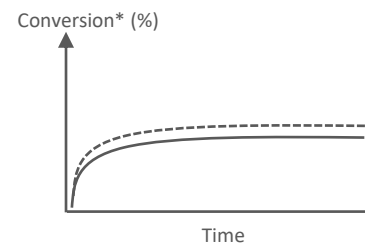
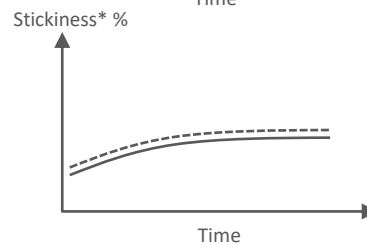
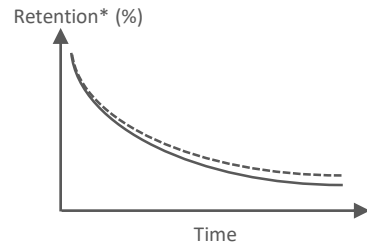
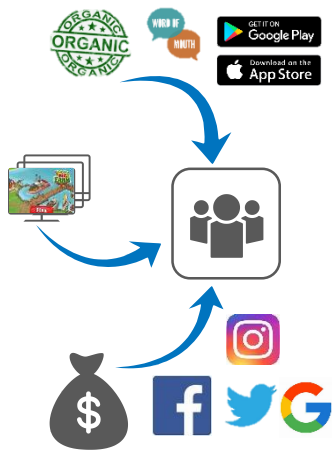
Active users



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

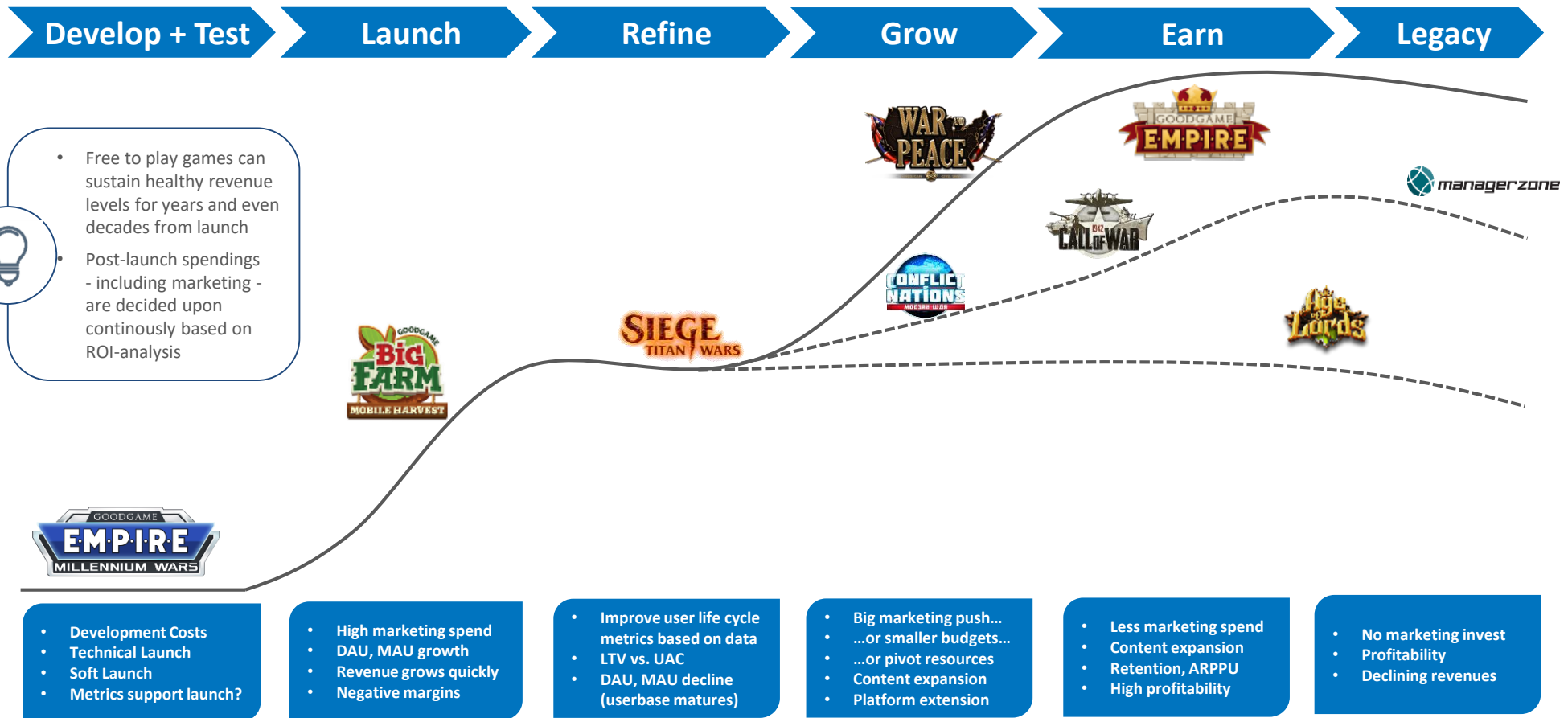
\*) Stickiness: Daily active users (DAU) as a share of monthly active users (MAU)

\*) Conversion: Share of active users that are paying

\*) ARPMPU: 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



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

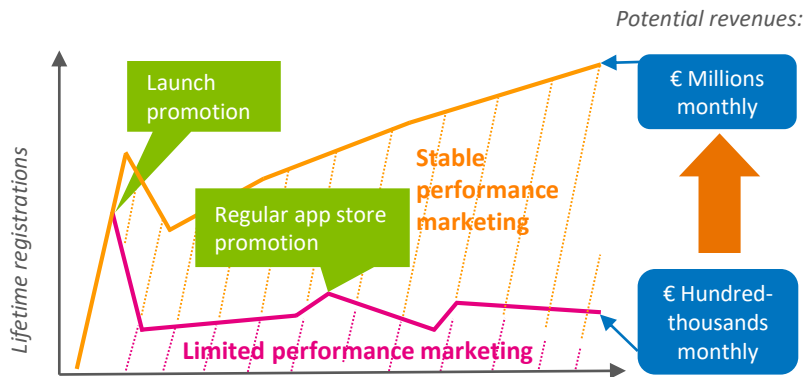
# World-class marketing...

## Marketing power and experience are instrumental for success

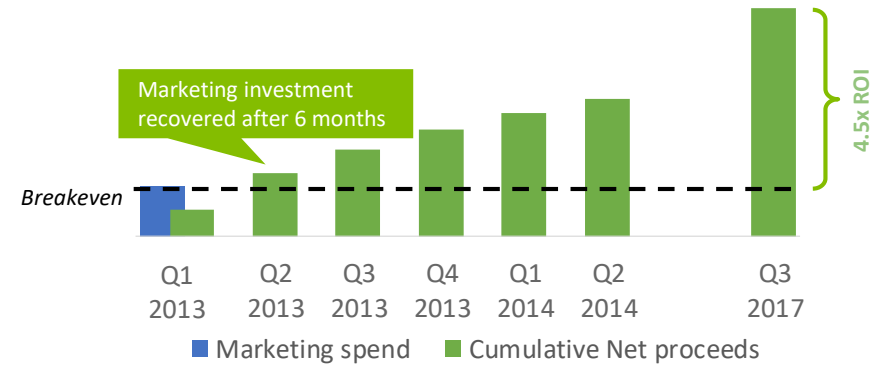
- €200M+ all-time adspend for ROI-positive, sophisticated performance marketing
- Hundreds of thousands of TV spots aired
- 25+ dedicated marketing specialists
- Frequent and high-scale app store promotions

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

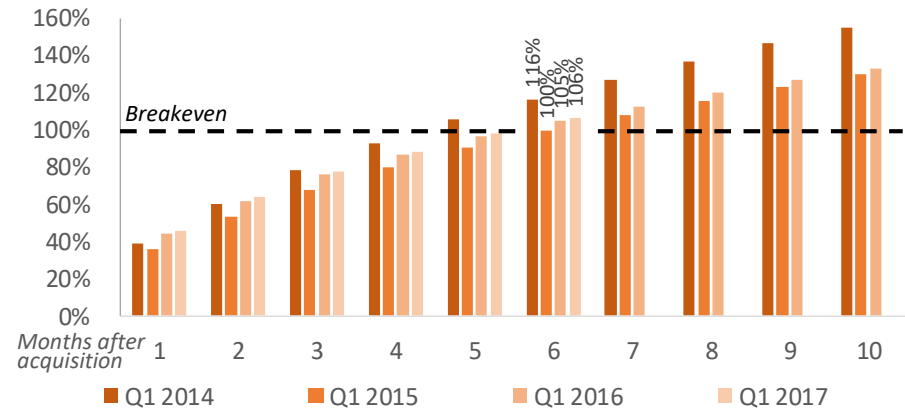
Performance marketing is key to large-scale success



Return on Marketing Spend, Q1 2013 Cohort<sup>1</sup>



Return on Marketing, breakeven after six months<sup>1</sup>



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**

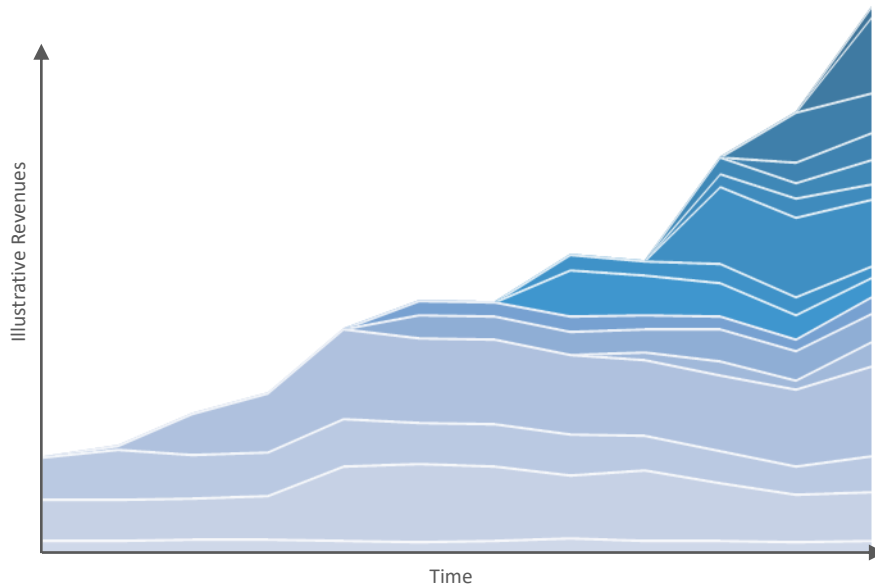
**HUGE REVENUE STREAM**



# Go-to-market models leveraging existing assets

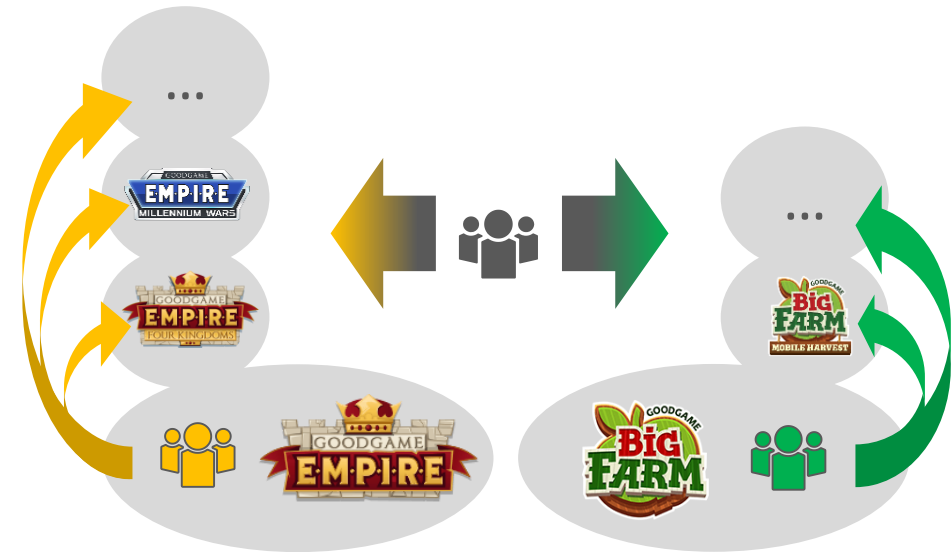
Several means of optimizing risk reward for high predictability

## 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



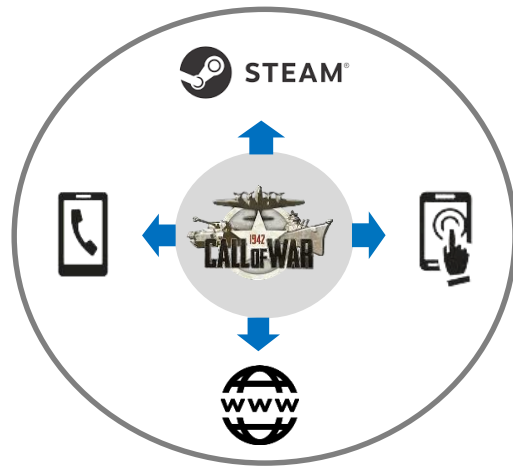
- ▶ High scalability by reuse of very strong and well established brands
- ▶ Thorough theme selection processes optimise theme and graphical appeal
- ▶ Extensive soft launch optimization processes
- ▶ Incremental investment over life time all ROI based
- ▶ All decisions data driven

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



**CONFLICT  
OF  
NATIONS**

MODERN WAR



Thank you