

STILLFRONT GROUP



Capital Markets Day

Stockholm, 27 november 2019

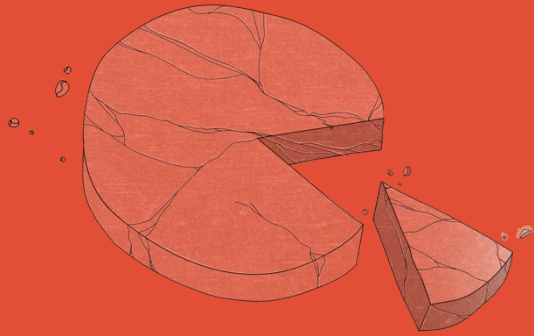
Agenda

Session 1

- 13.30** **Group Strategy & Overview**
Jörgen Larsson, Founder & CEO
- 14.00** **Entrepreneurship, Scale and Structure**
Alexis Bonte, COO
- 14.30** **Opportunities in the gaming sector**
Fireside chat: Alexis Bonte, COO and Marina Andersson, Head of M&A
- 14.45-15.00** **Coffee break**

Session 2

- 15.00** **Dynamics of an evergreen game**
Phillip Knust, CPO
- 15.30** **Kixeye – Pioneers of the free-to-play industry**
Clayton Stark, CEO Kixeye
- 16.00** **Accelerating synergies – the success story of Nida Harb 3**
Fireside chat: AJ Fahmi, Babil Games and Jörgen Larsson, CEO
- 16.15** **Financial Overview**
Andreas Uddman, CFO
- 16.30** **Q&A – Panel discussion**
All



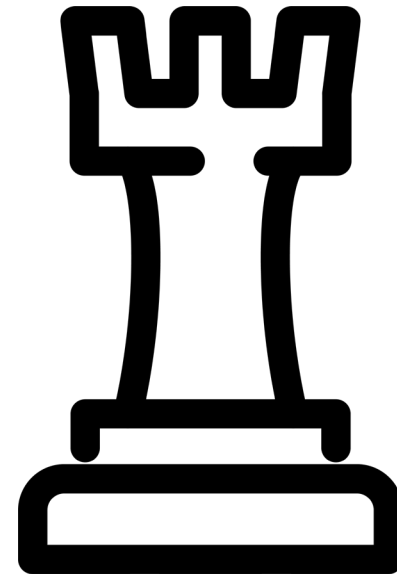
Overview & Strategy

Jörgen Larsson, Founder & CEO

OUR GROWTH VISION

3x

revenue within 5 years

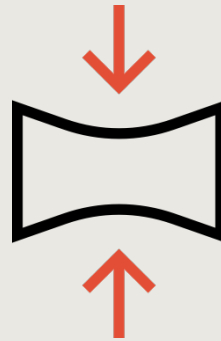


STILLFRONT AT THE FOREFRONT OF THE CONVERGING GAMING INDUSTRY

F2P data driven and process oriented business



Convergence in many dimensions



Middle getting squeezed

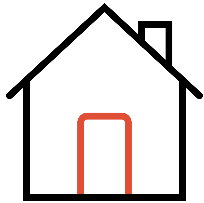


Traditional AA+ downloadable games businesses



A race for market leadership

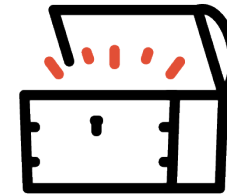
Stillfront is unique.
Proven models for acceleration.



A free-to-play
powerhouse

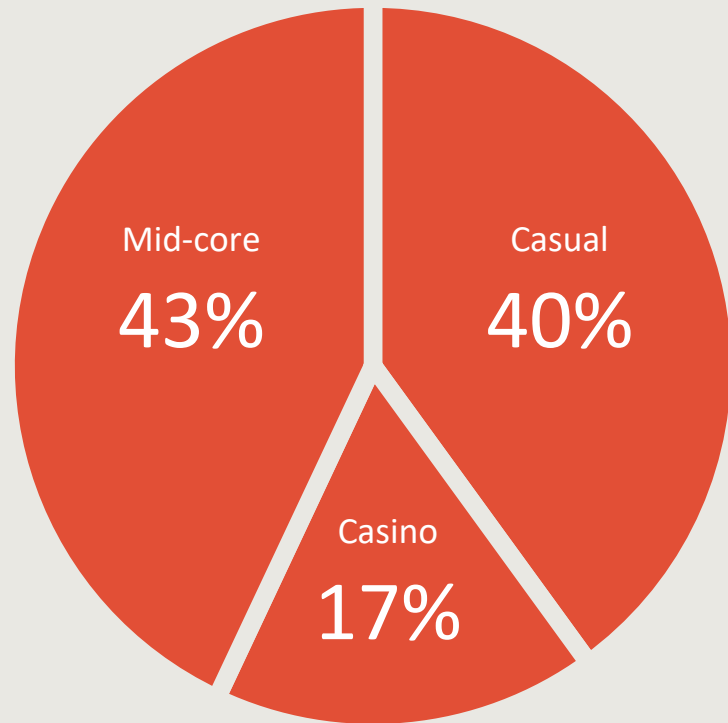


Entrepreneurship,
Scale & Structure



Leading risk/reward
creation model

SHARE OF REVENUE IN TOP 200 ESTIMATED BY DATAMAGIC

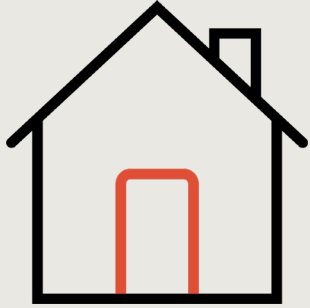


Casual and Mid-core are similar in size

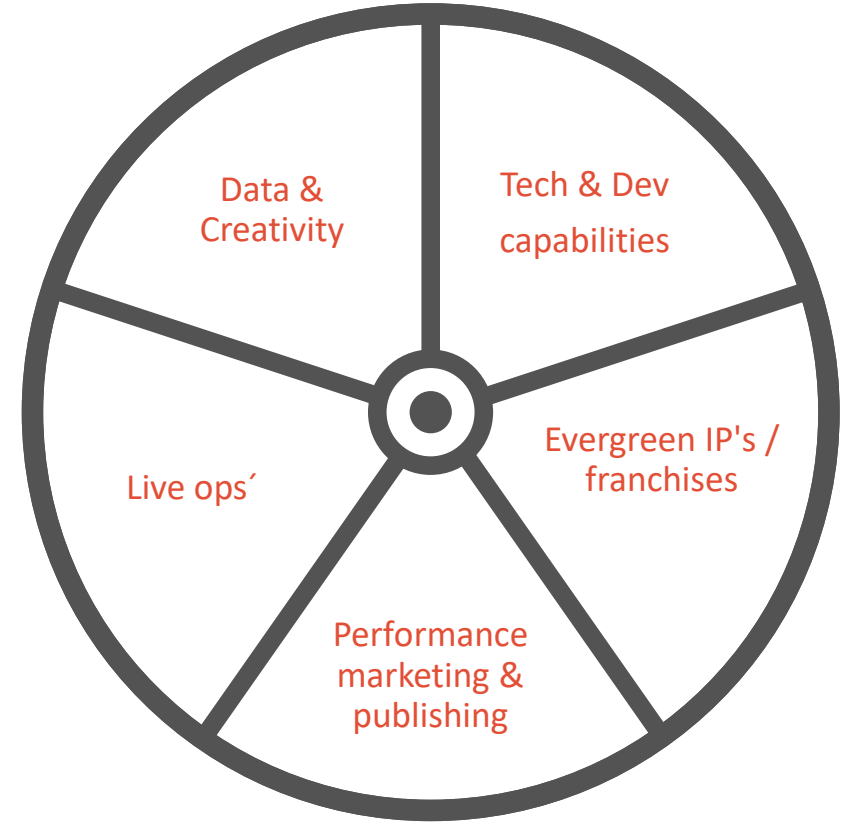
Half of the Mid-Core genre consist of Strategy games

DECISIVE FACTORS TO TAKE A LEADING POSITION

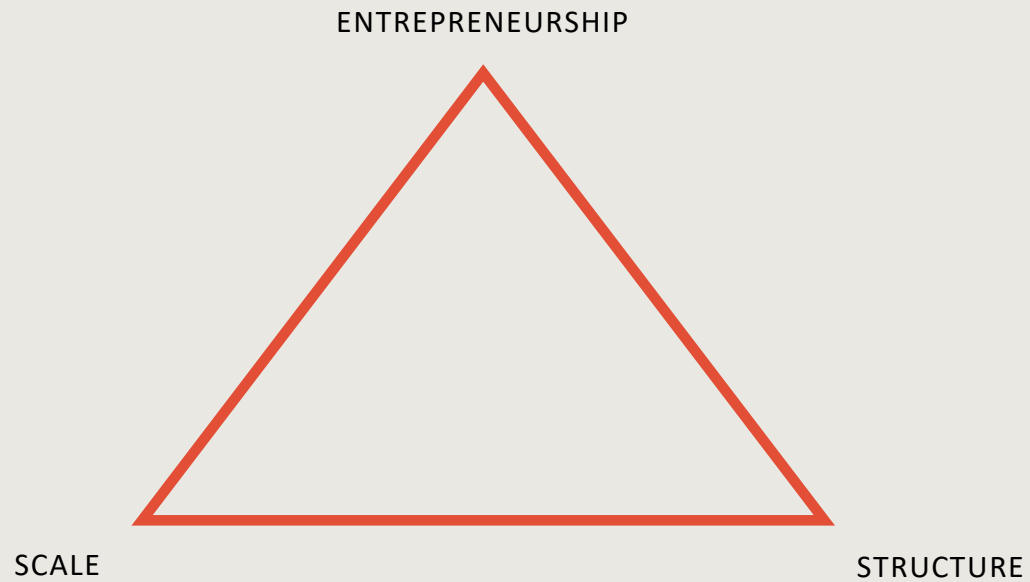
- ✓ Idea and operational leadership
- ✓ Size will matter even more
- ✓ Increase addressable market
- ✓ Genre broadening
- ✓ Agile to consumer preferences



What does it
take to be a leading
Free-to-play
Powerhouse?



OPERATIONAL MODEL



- Decentralization
- Entrepreneurial Spirit
- Structured Governance
- Empowering Culture
- Positive Scaling

REALIZING SYNERGIES

1
group

12
studios

36
games

600m
players

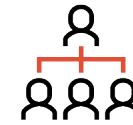
Centre of excellences:

Influencer
Marketing

Cross
platform

Performance
Marketing

Live ops'



Data sharing



Product development



Payment shop



Anti-fraud solution



Part of Stillfront since 2016

135%

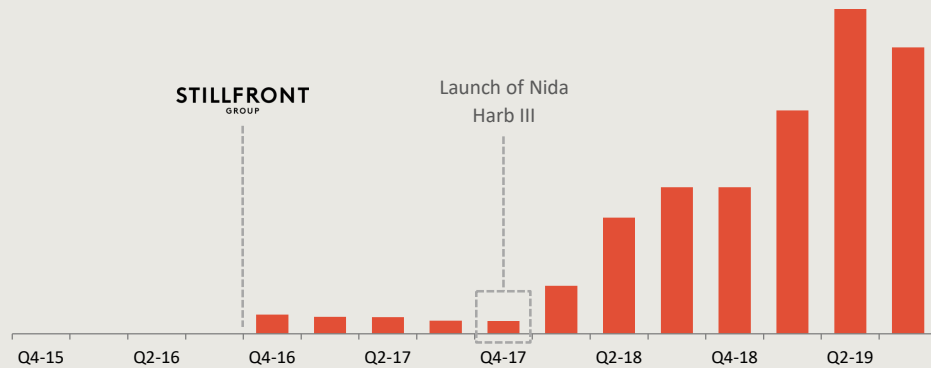
CAGR %, revenue

256%

CAGR %, EBITDA

Unique market position,
MENA

Performance
marketing



Stillfront's key success factors include shared best practises, world-class marketing & distribution and access to working capital

FROM ACQUIRED TO ORGANIC GROWTH



Part of Stillfront since 2013

29%

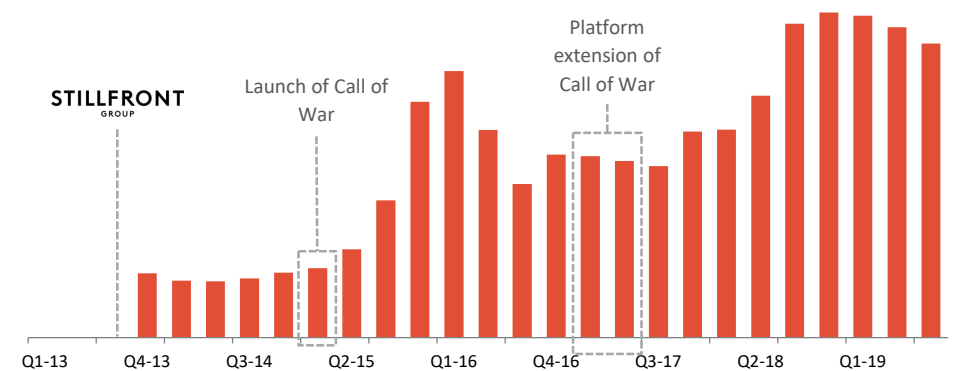
CAGR %, revenue

153%

CAGR %, EBITDA

Engine for unique
strategy games

Cross platform
publishing



FINANCIAL MODEL – UPDATED FINANCIAL TARGETS

GROWTH
NET REVENUE

4,000

MSEK by end of 2022

Stillfront's growth target is to reach a net revenue of 4,000 MSEK by the end of 2022

Growth is to be achieved organically as well as through acquisitions

PROFITABILITY
ADJ. EBIT MARGIN

~35%

Stillfront's target is to reach an Adjusted EBIT margin in the region of 35 percent

The Adjusted EBIT margin may vary quarter to quarter depending on mainly the level of user acquisition and product development

LEVERAGE
NET DEBT / ADJ. EBITDA RATIO

<1.5x

The Net debt/ Adj. EBITDA ratio should not exceed 1.5x

Stillfront may under certain circumstances, choose to exceed this level during short time periods

SUSTAINABILITY PART OF THE MODEL

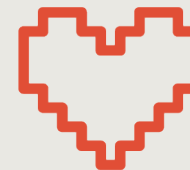
1. Framework for our decentralised business model
2. To be incorporated in core processes
3. Tool kit supporting the studios



Smart resource use



Creating games for all



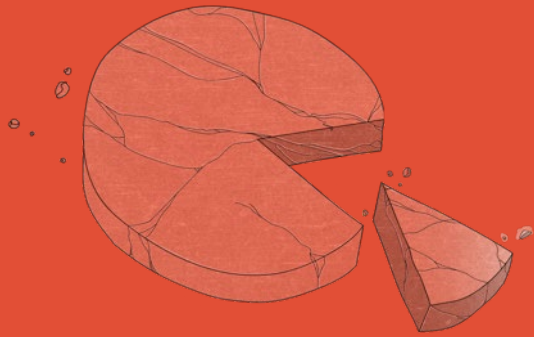
Living our values



Wake up. Kick ass. Repeat

STILLFRONT GROUP





Entrepreneurship, Scale & Structure

Alexis Bonte, COO

STILLFRONT'S WAY

We are **unique**

How do we scale and keep our unique entrepreneurial DNA?

Power to the studios!

An alliance of semi-autonomous studios

No forced integration → Scalable organization

Ownership → Entrepreneurial DNA

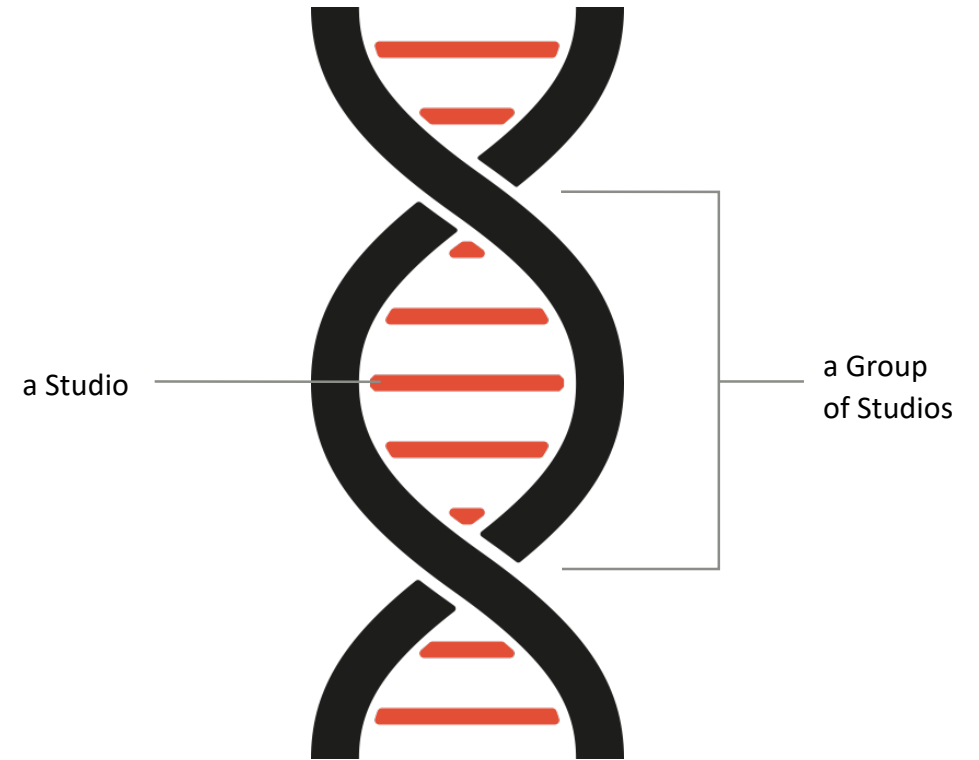


BUILT FOR DECENTRALIZATION

Securing: speed, market proximity and agility

Group resources support and govern the Studios

DNA



Proven highly efficient model that is attractive for future acquisitions

STILLFRONT'S WAY

Entrepreneurial platform

Not Hierarchical:

Ownership, Empowerment, Responsibility

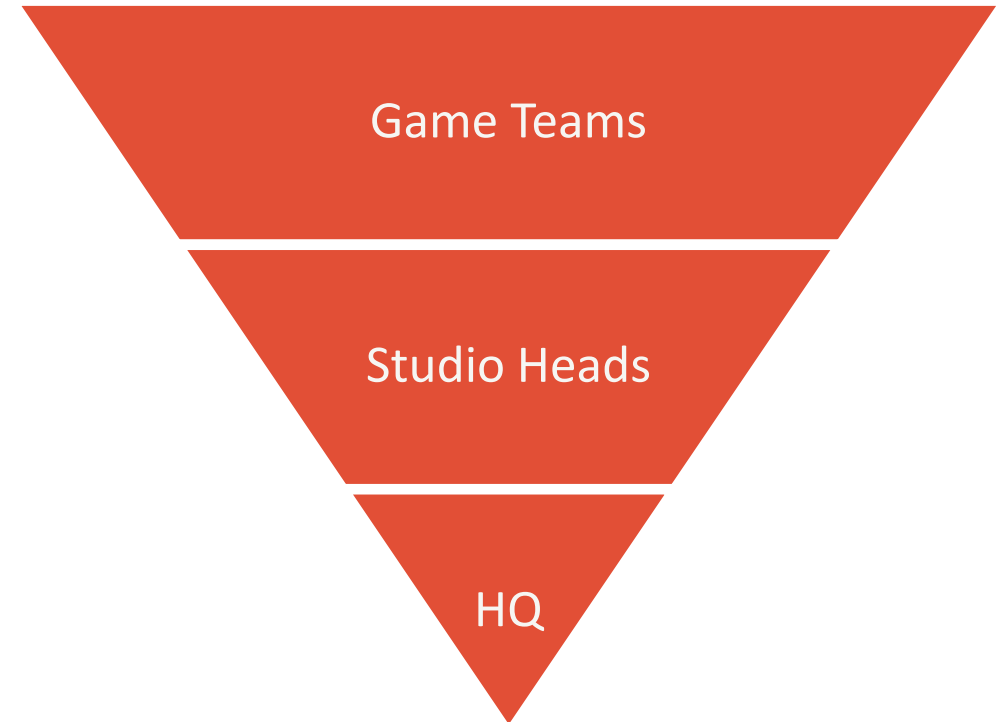
Key to attracting and retaining
the best entrepreneurial talent

→ superior outcomes

Least powerful COO & CEO: support, governance &
connecting the dots

Remove obstacles, empower collaborations, not decide
internal org or next game

DECISION PROCESS



**Decision making as close to the product
and the talent in contact with our players**

DISTRIBUTED
GROWTH ACCELERATION ENGINE

1. Leveraging collective intelligence:

- Shared Data, Tech & Platforms
- Collaborations with true alignment
- Studio centers of excellence
- Direct access to top talent

2. Light, agile top-talent group services & support

- Group Finance, IR & Coms
- M&A
- Strategic Projects
- Studio Operations support & governance

675

Studio Talent

14

Group Talent

III MODEL



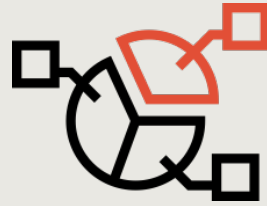
Centre of excellences:

Influencer Marketing	Cross platform	Performance Marketing	Live ops'
	Data sharing		Product development
	Payment shop		Anti-fraud solution

BECOME A MEMBER OF THE STILLFRONT FAMILY: 4 KEY COMPETITIVE ADVANTAGES YOU RECEIVE



Best tools/services supporting further growth



Attractive governance and deal models – retaining operational independence



Broad and extensive network & expertise that can be leveraged



Value creation and realization opportunities



Superior opportunities for continued success

SCALING OUR DECENTRALIZED ORGANIZATION, WITH TECHNOLOGY AND TOOLS

Stiltalent

DISTRIBUTED
OPERATIONS
AND SCALING

Stillrules

GOVERNANCE
& MANAGEMENT

Stillbase

BUSINESS SUPPORT
AND INTELLIGENCE
FOR ALL STUDIOS
& GROUP

STILLBASE

Powering Collaboration, Growth & Governance at Stillfront

STILLFRONT
GROUP

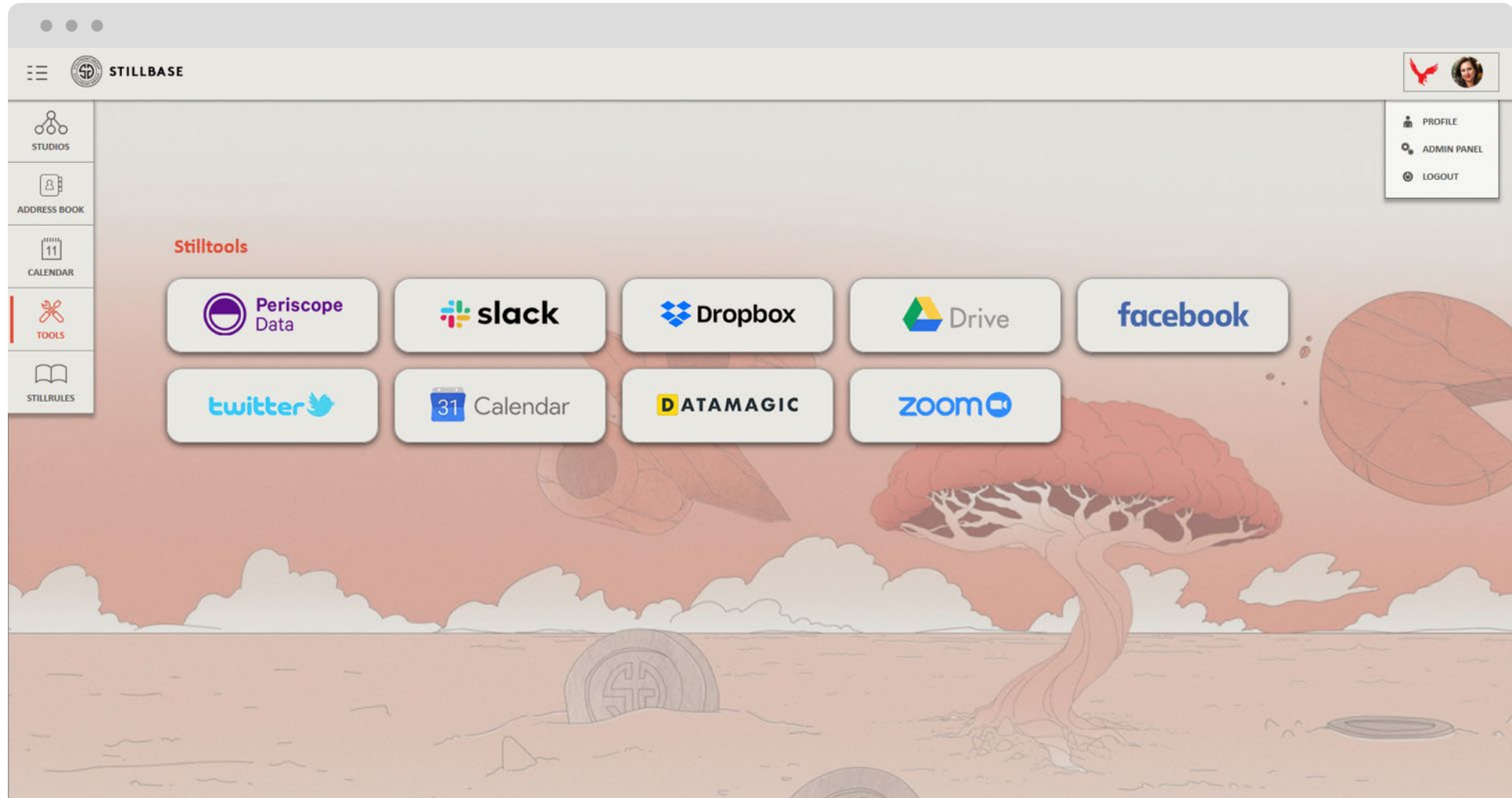
"STILLBASE IS MY GO-TO SOURCE FOR INFORMATION"

STILLBASE
If it's cool, it's on Stillbase

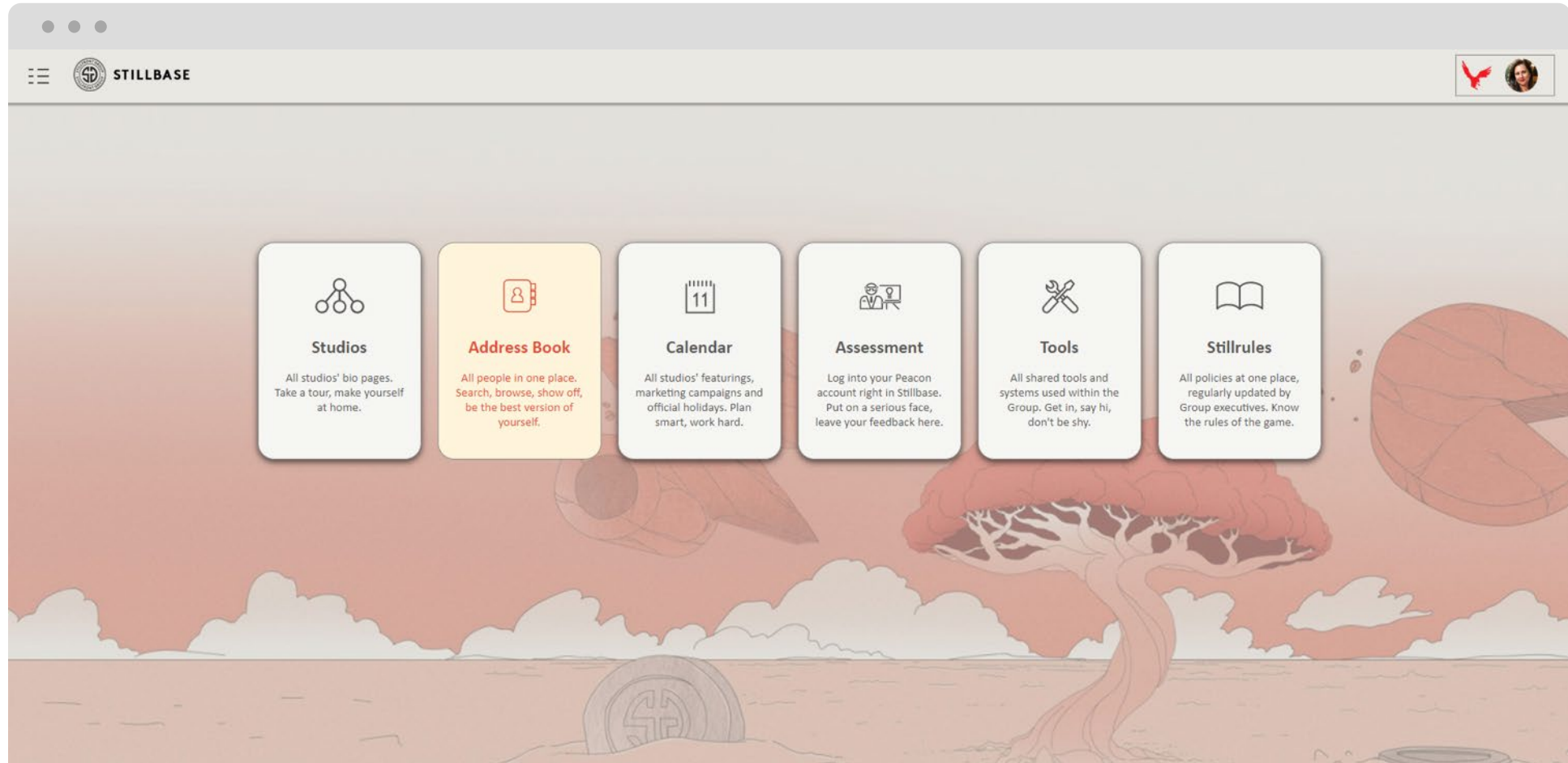
Login

Stillbase is the Stillfront Group's intranet system, an inter-studio cross-platform space where Stillfront studios share corporate information, collaboration tools, and operational systems, being an important focal point of internal communication and cooperation.

STILLBASE



“I’M PRETTY NEW AT STILLFRONT AND STILLBASE IS GREAT AT ANSWERING MOST OF THE QUESTIONS I HAVE”



"I'M THE ONLY UI EXPERT IN OUR STUDIO, A SEARCH ON STILLBASE SHOWED ME WHO ELSE COULD HELP FROM THE STILLFRONT FAMILY"

The screenshot shows the 'Stillbase' internal directory interface. On the left is a sidebar with navigation icons for Studios, Address Book, Calendar, Tools, and Stillrules. The main content area is titled 'Stillteam' and features a search bar with 16 results. The search results are sorted alphabetically and list team members with their names and roles. A detailed profile for 'Ilian Iliev, Senior Developer' is shown on the right, including contact information, a bio, education, former positions, skills, and languages.

Stillteam

16 Results

ADD FILTER

Sort: Alphabetically by Studio by Department

A

- Alex Vaglarov, Junior Developer
- Anton Malinov,
- Alexander Vasilev, Lead Developer
- Alexander Nikolov, Lead Developer
- Alexis Bonte, Group COO

C

- Christian Kaul, Group CCO

D

- Dian Panov, Game Designer

Ilian Iliev
Senior Developer

+359888212651
ilian.iliev@imperiaonline.org
/ilian-iliev-42487455/

MANAGER
Joanna Seymenarova

DEPARTMENT
Production, LiveOps, Development

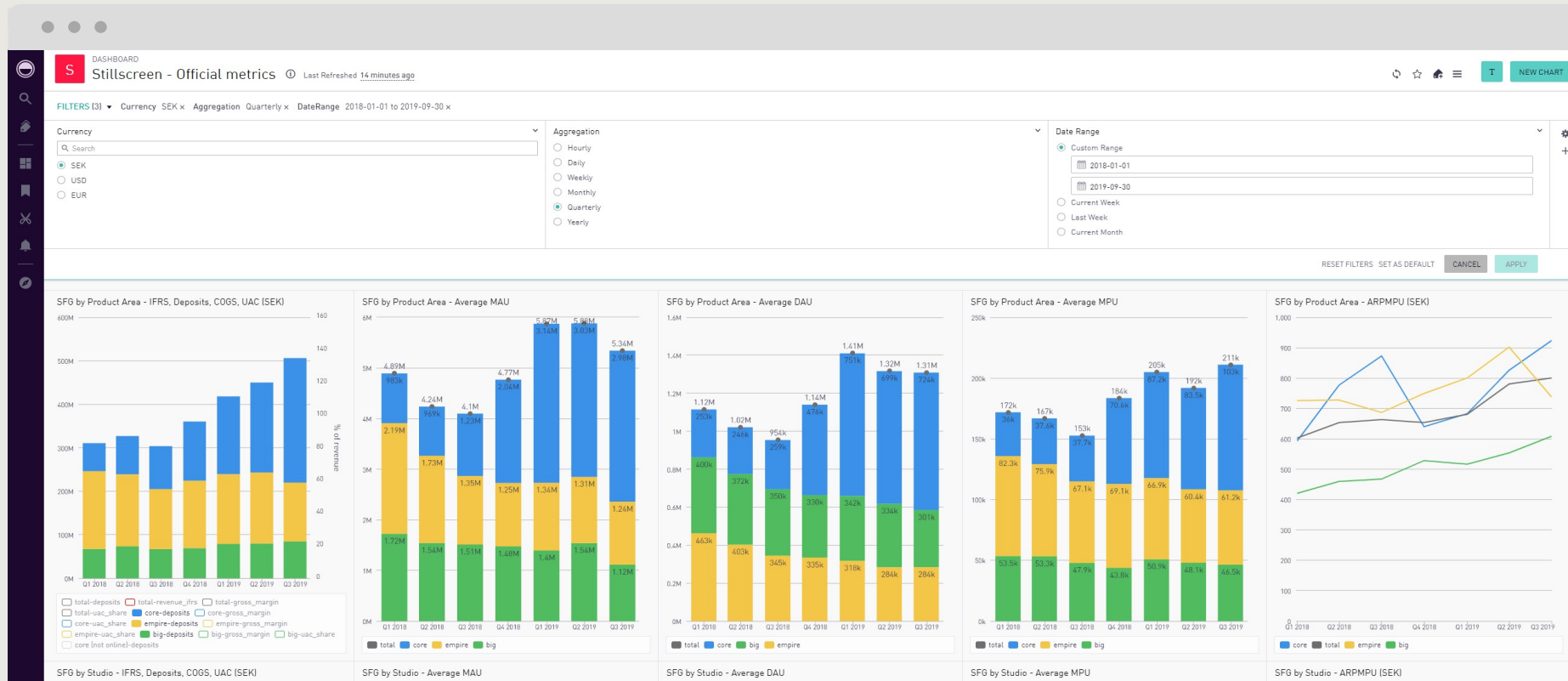
BIO
Born: 29.06.1990
Company Member: since 9.2013
Senior Developer: since 2015
Education: - UNWE - Bachelor's Degree in Marketing - Telerik Academy - C#, Javascript, HTML, CSS - IT Talents Training Camp - PHP, MySql - Microsoft Virtual Academy - Backbone.js etc
Former positions, selection: FED Developer, BED Developer

SKILLS

- User Experience
- Game Development
- PHP
- Web Development
- Gitflow
- Game Design
- Mobile Development
- Phonegap

LANGUAGES
English, Bulgarian

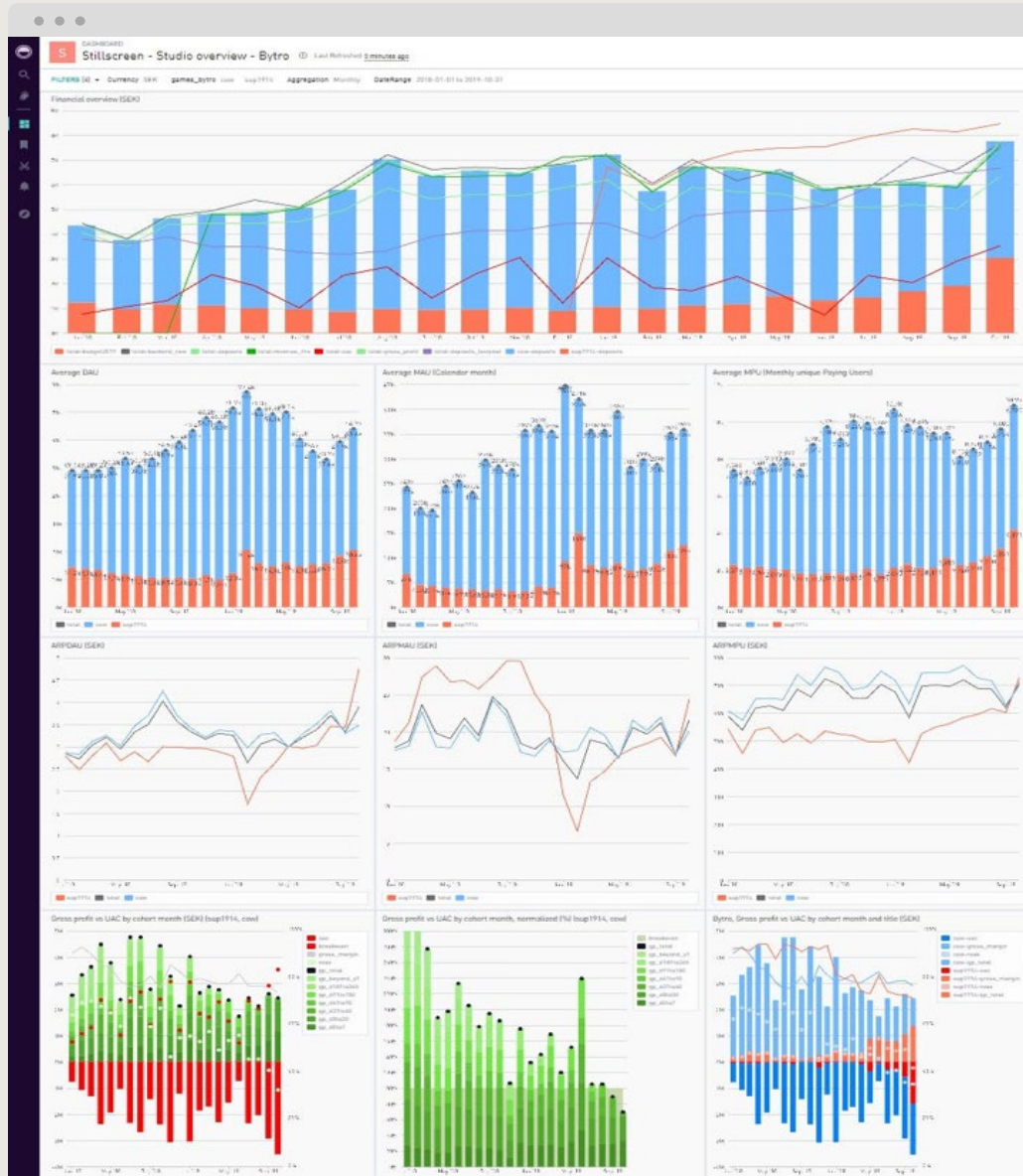
STILLBASE



Common live dashboards to drive organic growth:

- Superpower of real-time data insights
- Benchmarks from 35 live games instead of 1 to 3 for individual studios

STILLBASE

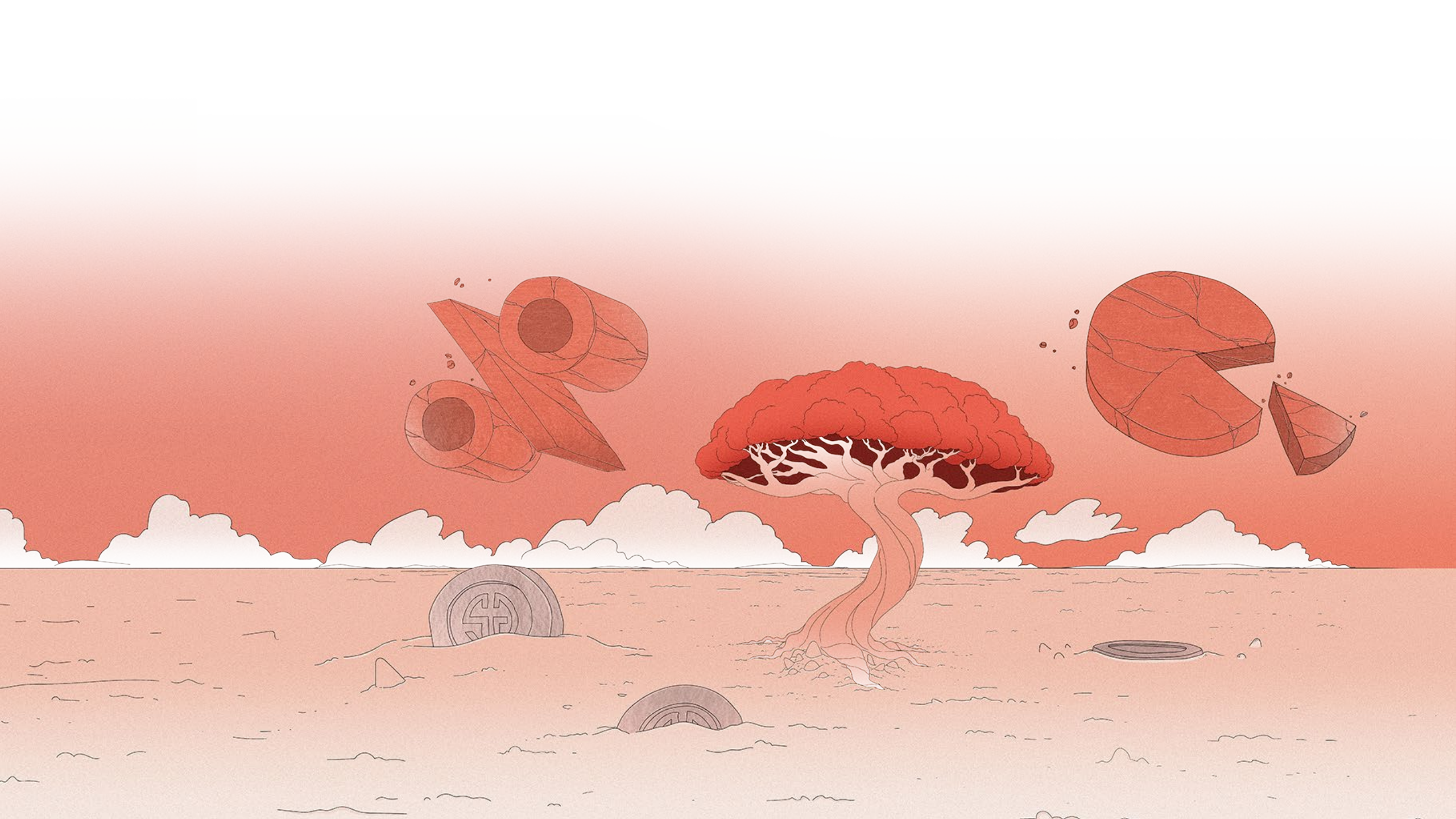


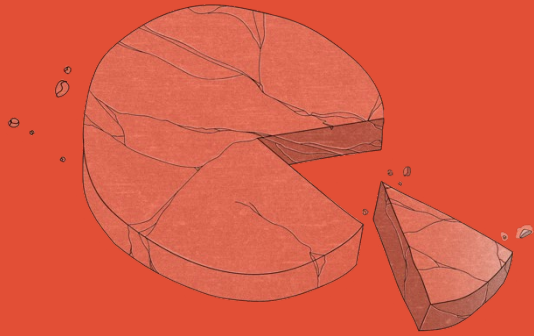
Common studio management dashboard views for quick comparisons. **Its not about how many KPI's its about tracking the key ones in the correct way:**

- Gold for a Studio head or Game team
- Powerful insights and governance tool for Group
- Better quality exchanges between studios
- Better quality Business reviews with Group

STILLFRONT GROUP







Dynamics of an Evergreen Game

Phillip Knust, CPO

EXPERIENCE FROM PREVIOUS PROJECTS



Followed from first concept to maturity state



Launched in October 2017

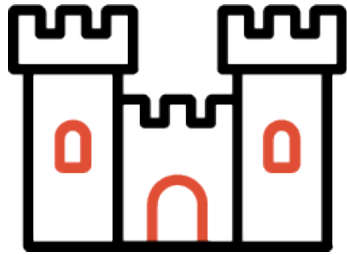
Scaled to 1.9m € Bookings in September 2019 (+55% YoY)



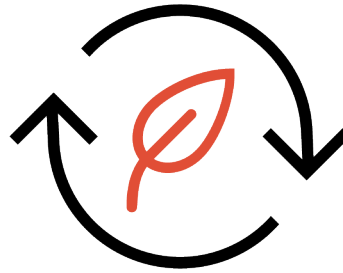
WHAT IS AN EVERGREEN GAME?

A true evergreen game is a product that has its players **enjoying the game for many years**. Once established, it is almost **impossible to copy** an evergreen.

HIGHLIGHTS OF DYNAMICS OF AN EVERGREEN GAME



Moats

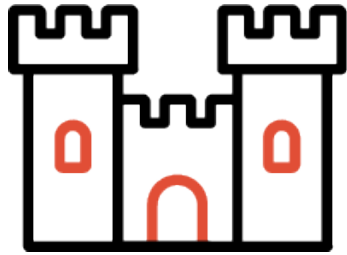


Longevity



LiveOps

MOATS



Moats



Longevity



LiveOps

MOATS



Modern evergreens are always-online multiplayer games which are played all around the world

Massive user base from all around the world

Thousands of interactions in real time

MOATS



Modern evergreens are always-online multiplayer games which are played all around the world

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MOATS

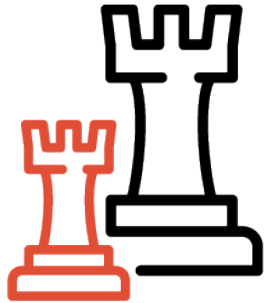


Modern evergreens are always-online multiplayer games which are played all around the world

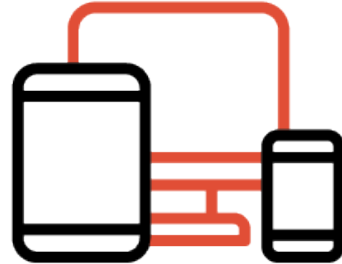
Massive user base from all around the world

Thousands of interactions in real time

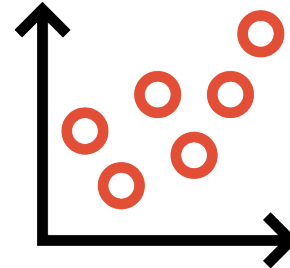
... build on strong foundations ...



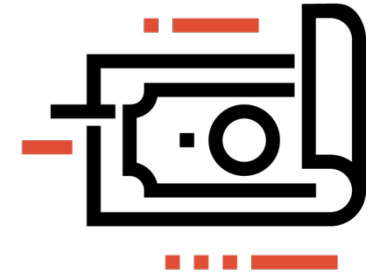
**Scaling
systems built
for high load**



Wide device coverage



**Analytics for data-
driven decisions and
real-time triggers**



**Complex Economy
that always evolves**

... and expert marketing



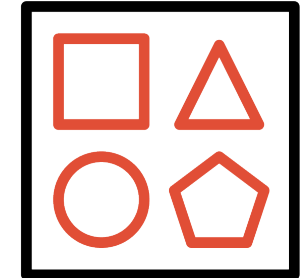
Data driven revenue prediction



Complex targeting



Constant testing

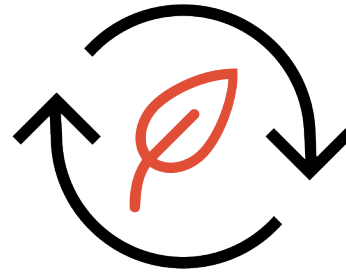


Source diversification

LONGEVITY



Moats



Longevity



LiveOps

LONGEVITY

Cater to the most
valuable target
audience long-term

Our best
players are

40+

Average Empire
pay-users plays for

821
days*

Keep players engaged for
years with

LiveOps

ROI within 180 days:

Profit in the years
afterwards

*Avg lifetime of Goodgame Empire paying users who registered in 2013

LIVE OPS´



Moats



Longevity



Live Ops´

Content is king, know how to manage that

Data driven decision process

Efficient content production

Clever content management

Events and Offers

Personalized content

Never stop improving



LIVE OPS' – EVENTS

Q1 – 2019
48 days runtime

1.95m
€*

Q2 – 2019
66 days runtime

3.16m
€*

Q3 – 2019
68 days runtime

2.05m
€*

Total
Q1-Q3 – 2019

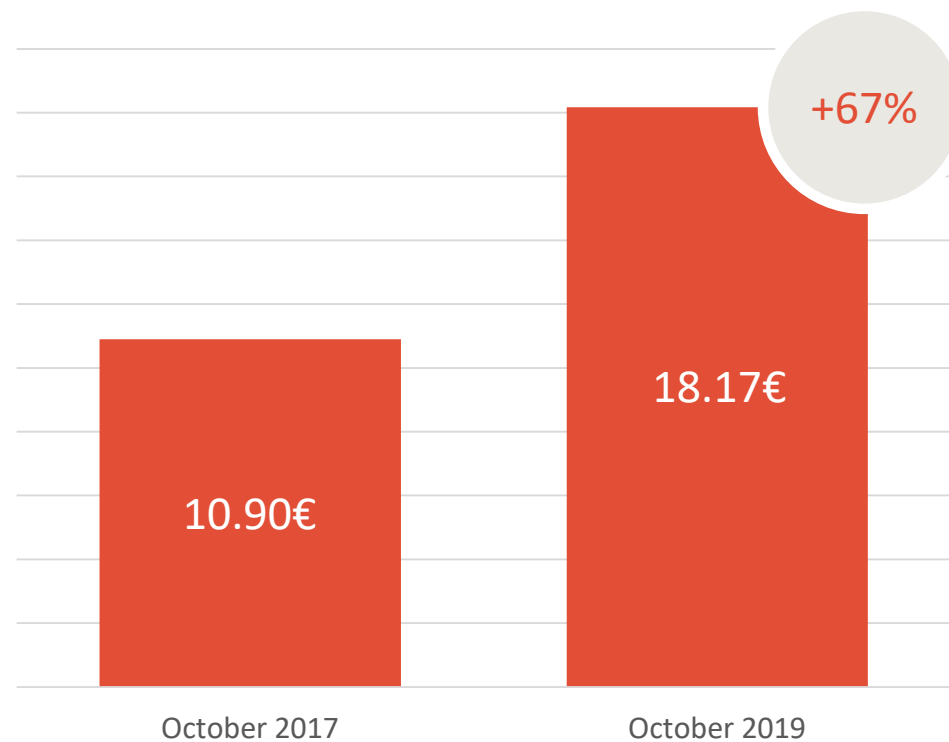
7.17m
€*

*Bookings directly attributed to the Outer Realms event in Goodgame Empire and Empire: Four Kingdoms



LIVE OPS' – LTV-PAY OPTIMIZATIONS

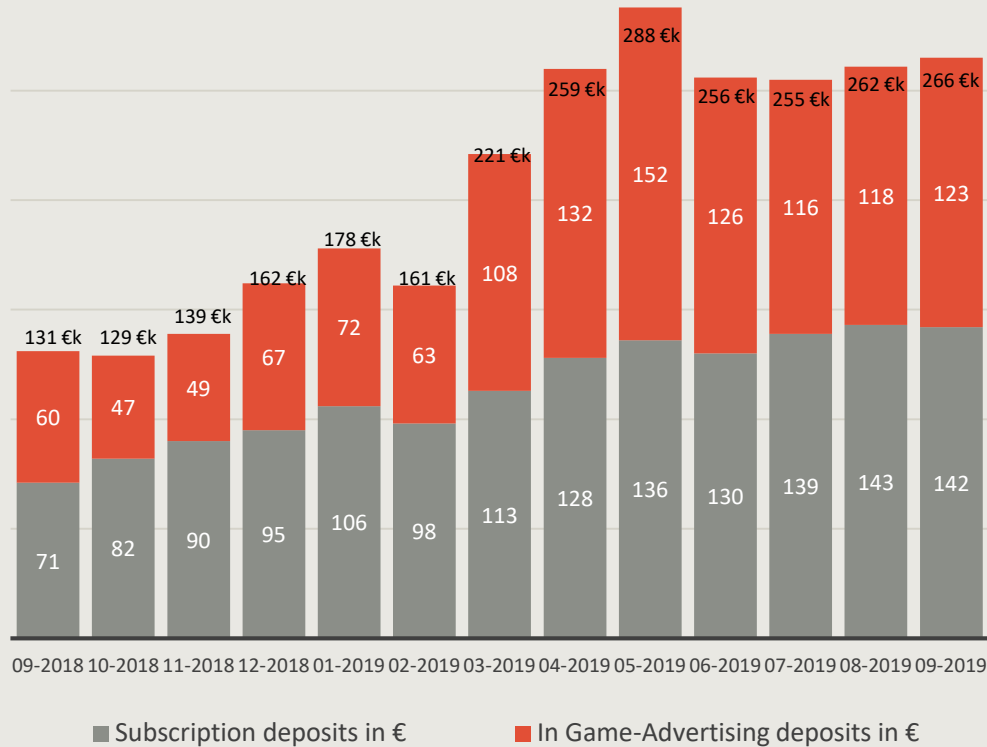
LTV-Pay Day 14*



*Average lifetime value after 14 days of a single paying user in Big Farm:
Mobile Harvest acquired by Facebook advertising in US

LIVE OPS' - NEW REVENUE STREAMS

+103%
Y-o-Y



>120 k€

per month
In Game-Advertising deposits

Monetize
non-paying users

Only used on
mobile-games

>140 k€

per month
Subscription deposits

20,000 active subscribers in
September

Reliable income with monthly
payments

Available on web- and mobile-
games

Making evergreen games
is very hard

We need a strong group of
gaming studios
collaborating and sharing
knowledge to succeed





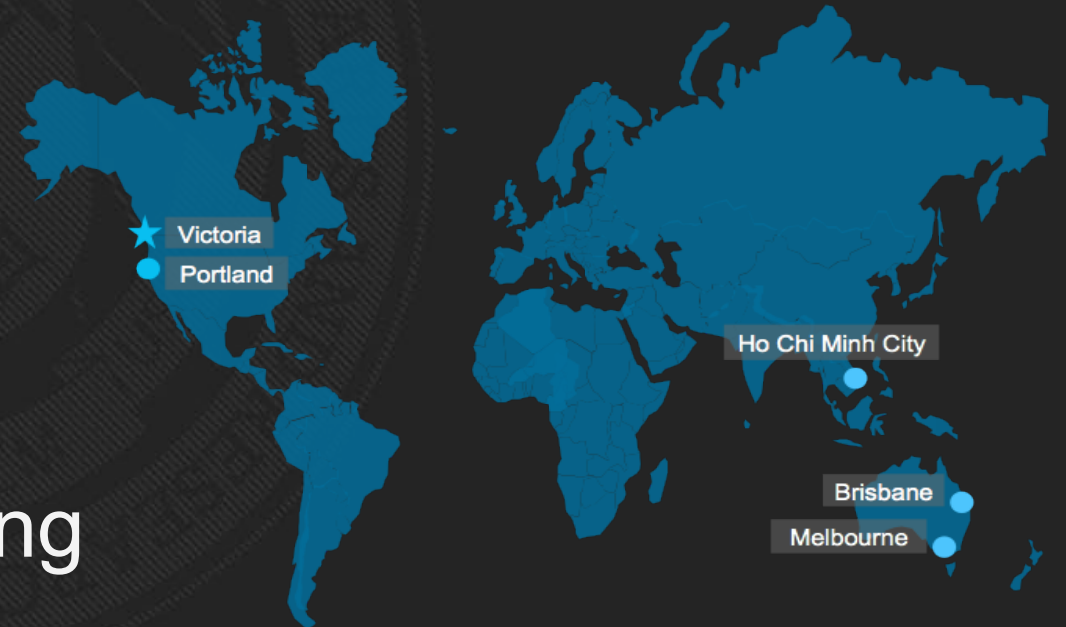
Introducing KIXEYE

- Founded in 2007 in San Francisco
- Brought midcore gaming to the F2P market
- Created monetization mechanics now used industry-wide
- Developed live operations strategies that resulted in ultra-long term retention
- Over US\$850 million in bookings so far



KIXEYE today

- ~150 employees, headquartered in Victoria, Canada
- Operating four live games with high profit margins
- Poised for growth through marketing and distribution
- Developing new titles following our established formulae



KIXEYE games - Battle Pirates

- Launched in 2011
- High average spend across all active players
- High LTV across all installs
- Continues to convert new organic installs well
- Highest profit margin game in the portfolio



#1 Grossing game per user on FB
Lifetime Bookings over US \$400mm



KIXEYE games - War Commander

- Launched in 2012
- Average active player has played for about four years
- Average active spender has played for almost six years
- Consistent profit margin year after year



#3 Grossing game per user on FB
Lifetime Bookings over US \$260mm



KIXEYE games - Vega Conflict

- Launched in 2013
- First cross-platform KIXEYE game, played across Facebook, kixeye.com, iOS, Android and Steam
- Consistently high player sentiment year after year



KIXEYE games - Rogue Assault

- Launched in late 2016
- Best-in-class combat, highly differentiated in graphic presentation and depth of play
- Highest revenue per spender in the portfolio
- 4.5 star iTunes/Google Play



First pure mobile title, highly differentiated graphics and battle.



KIXEYE games - kixeye.com

- Launched in 2013, not updated materially since, and no marketing spend applied (ever)
- Designed and built to host 3rd party games, but only KIXEYE games were put on the site (prior to joining Stillfront)
- Represents 20%+ of revenue for Battle Pirates and War Commander (with no platform fees)
- Roughly 200,000 monthly users in 187 countries; over 50% from USA/UK/CAD/AUS, and about 10% from across Europe
- Average session time 1h 22m



KIXEYE - looking ahead

- Re-ignite new user acquisition
 - Vega Conflict, Battle Pirates and War Commander have not received any new UA spend for many years
- Distribution focus
 - Cross-promotion & distribution with Stillfront family partners
- Battle Pirates and War Commander on HTML5
 - Battle Pirates launch is imminent, War Commander next year
- New games



KIXEYE - performance marketing

- Partnered with **Goodgame Studios** for all User Acquisition and performance marketing efforts
- War Commander: Rogue Assault user acquisition is underway and showing stronger metrics than KIXEYE was able to achieve on its own
- Vega Conflict user acquisition has now begun as well
- All future performance marketing will leverage this partnership with Goodgame Studios, as the results are excellent



KIXEYE - massive distribution

- Partnered with **Babil Games** to release a culturalized version of War Commander: Rogue Assault into the Middle East and North Africa market
 - Release of this game is imminent
 - Again partnered with Goodgames for UA



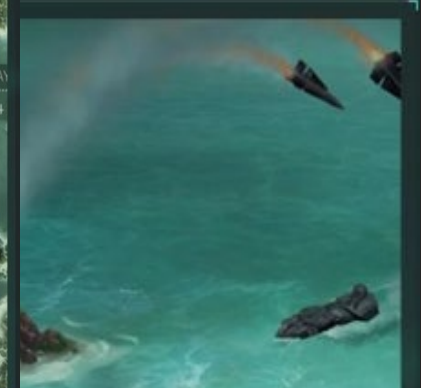
KIXEYE - leveraging kixeye.com

- kixeye.com integration & promotion of Stillfront games
- Imperia Online launched
- Extremely low integration and operating cost
- When a player wants to play something new, it should be another Stillfront game!



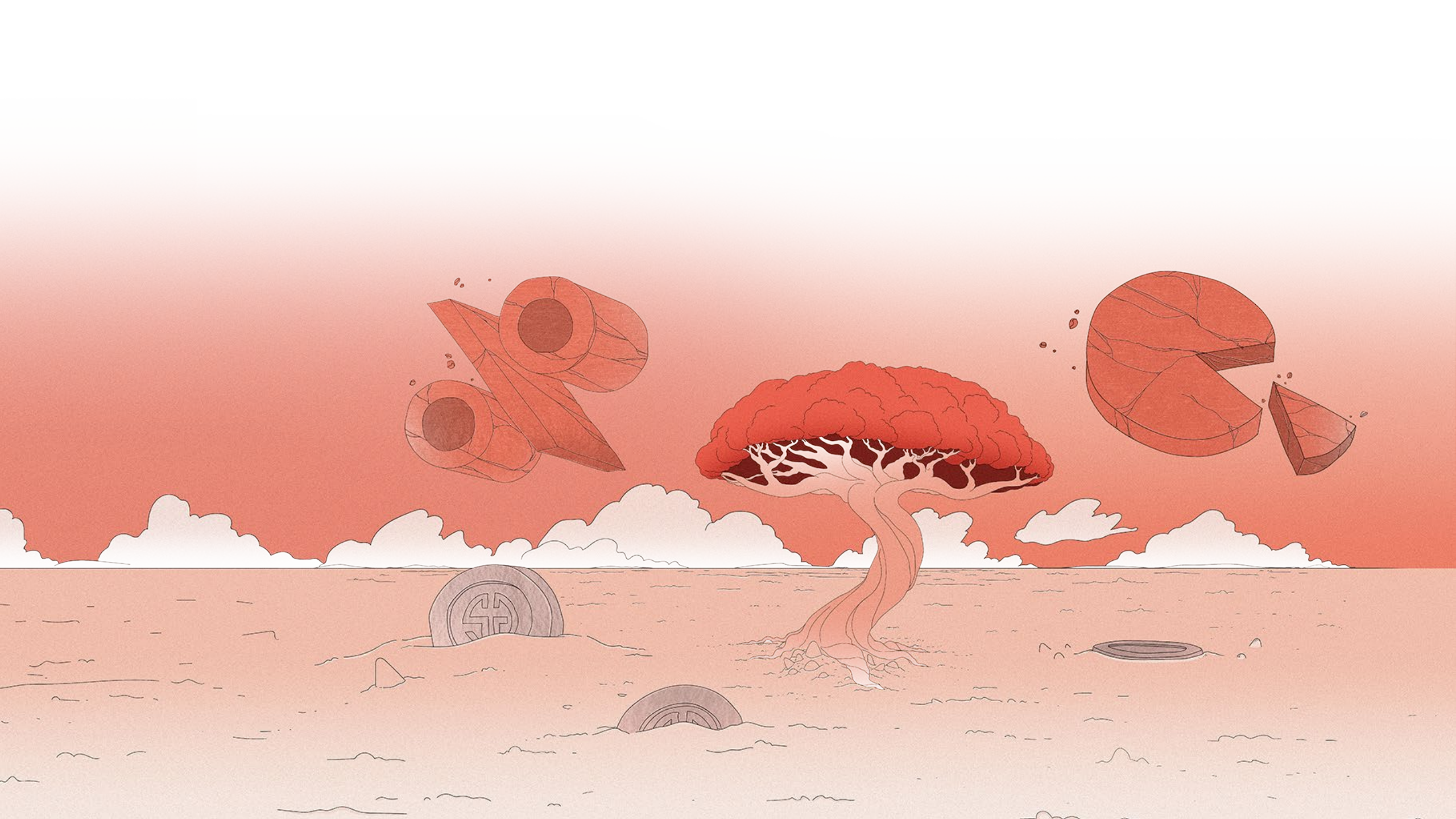
KIXEYE - new games

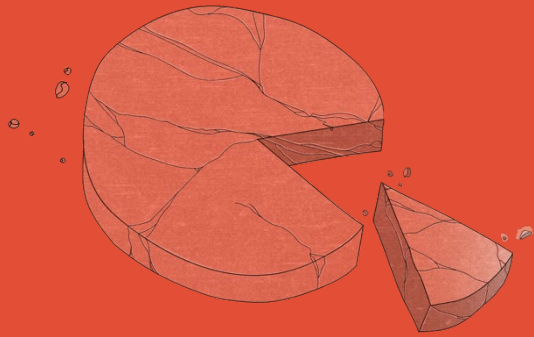
- We are working on the next title, with plans for multiple new games as we move forward
- On its own, the KIXEYE formula for live ops strategy games is proven and refined over many years in the market
- The collective expertise of Stillfront Group companies adds considerably to what KIXEYE can do, what markets we can reach, and the economics of how we can reach them



clayton@kixeye.com





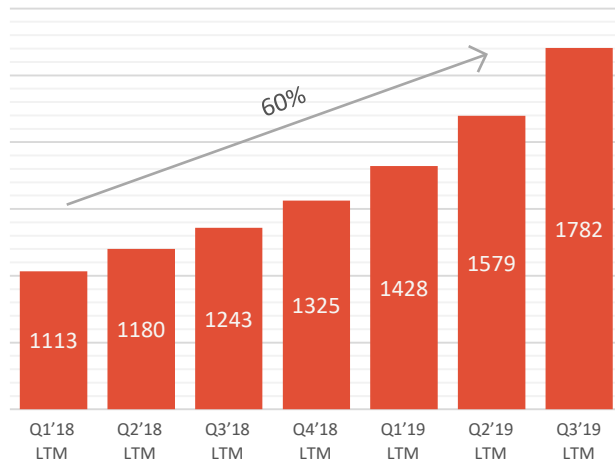


Financial Overview

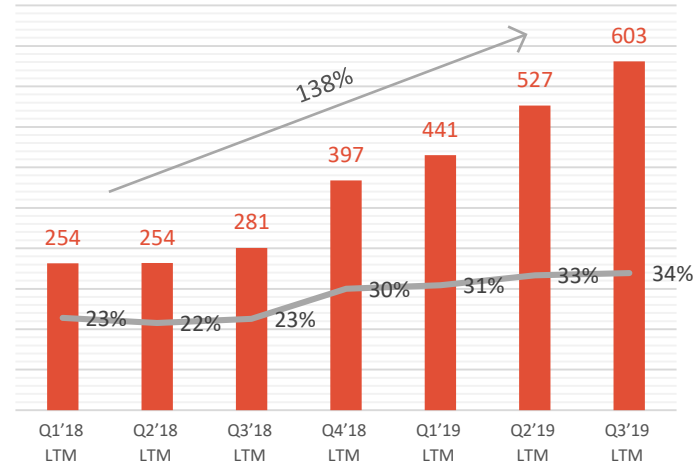
Andreas Uddman, CFO

FINANCIAL DEVELOPMENT 2018-2019
STRONG MOMENTUM IN GROUP PERFORMANCE

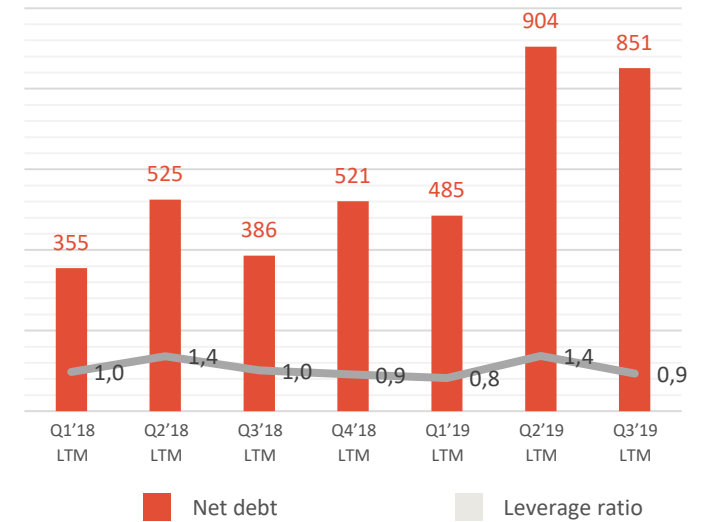
NET REVENUE (MSEK)



ADJ. EBIT* (MSEK)



NET DEBT/ADJ. EBITDA RATIO



* Current definition of Adj. EBIT – excluding items affecting comparability and amortization of PPA-items

FINANCIAL TARGETS FROM 2017 ACHIEVED IN 21 MONTHS

FORMER FINANCIAL TARGETS (DECEMBER 2017)

Growth

Yearly organic growth target above market growth

~10%

Profitability

EBIT* Margin

>30%

Leverage

Net debt / Adj. EBITDA ratio

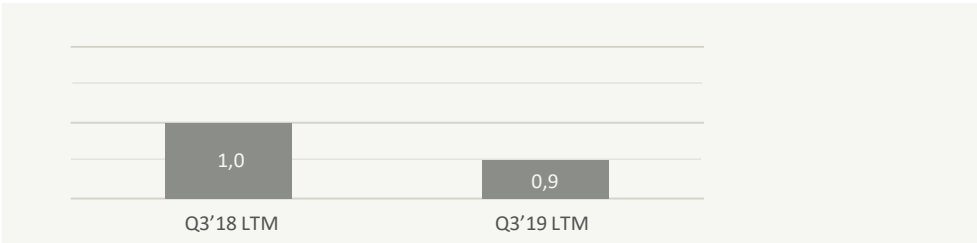
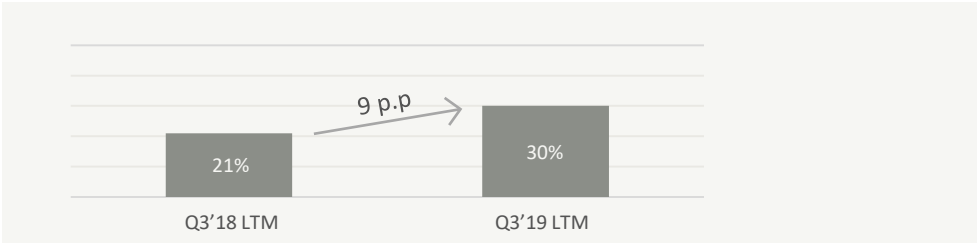
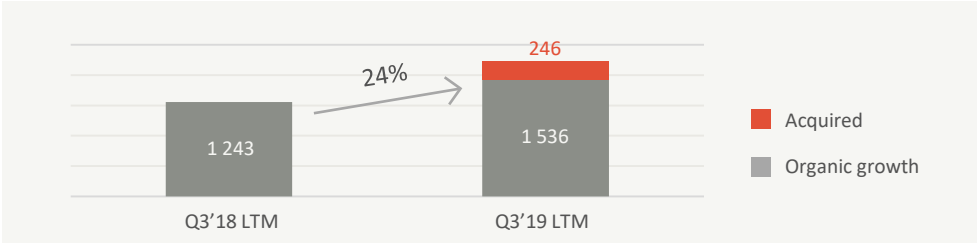
<1.5x

Dividend policy

Up to

50%

of Group's net profit



No dividend distributed in 2018 in order to maintain a high degree of financial flexibility for potential acquisitions

*Old Definition of Adj. EBIT – excluding items affecting comparability

FINANCIAL TARGETS ACHIEVED AFTER 18 MONTHS

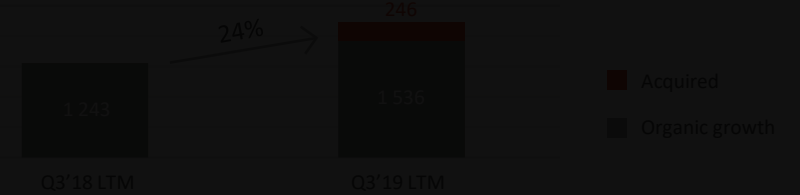
FORMER FINANCIAL TARGETS (DEC 2017)



Yearly organic growth target above market growth

~10%

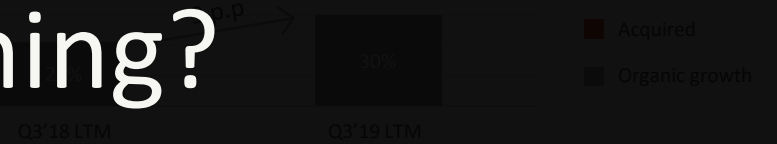
Growth



EBIT* Margin

Are you still watching?

Profitability

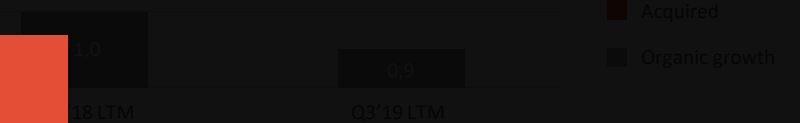


Net debt / Adj. EBITDA ratio

<1.5x

Leverage

(NIBD / Adj. EBITDA)



Continue watching

Up to

50%

of Group's net profit

Dividend

No dividend distributed in 2018 in order to maintain a high degree of financial flexibility for potential acquisitions.

*Old Definition of Adj. EBIT – excluding items affecting comparability

FINANCIAL TARGETS 2020-2022

FINANCIAL TARGETS 2020-2022		COMMENTS
Growth	<p>Net revenue</p> <p>4,000</p> <p>MSEK 2022</p>	<ul style="list-style-type: none"> • Growth is to be achieved organically as well as through acquisitions. • Last 12 months, net revenue growth of 539 MSEK, of which acquired growth was 46 percent
Profitability	<p>Adj. EBIT Margin¹</p> <p>~35%</p>	<ul style="list-style-type: none"> • The adjusted EBIT margin may vary quarter to quarter depending on mainly the level of user acquisition and product development.
Leverage	<p>Net debt / Adj. EBITDA²</p> <p><1.5x³</p>	<ul style="list-style-type: none"> • Historical leverage ratio target reflects a good capital structure and maintains a good balance between financial risk and financial cost

1: Adj. EBIT – excluding items affecting comparability and amortization of PPA-items

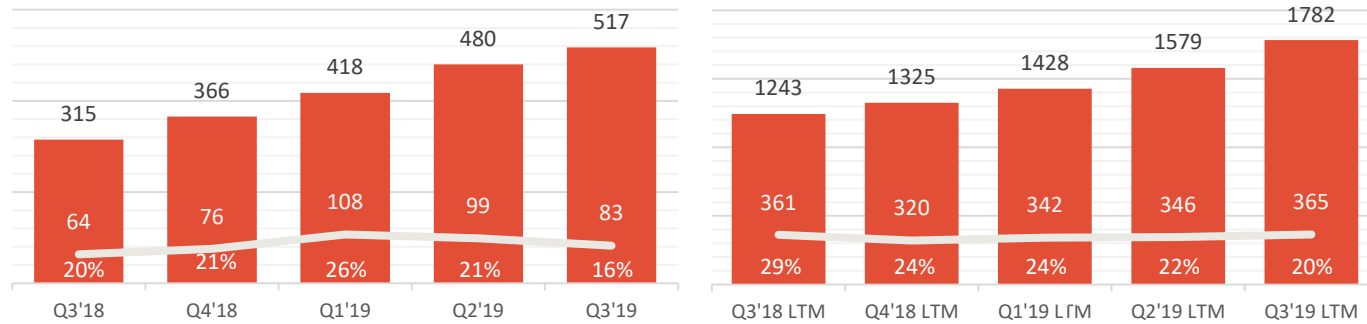
2: Adjusted EBITDA pro forma is defined as adjusted EBITDA including acquisitions and excluding items affecting comparability for the last twelve months

3: The Company may however, under certain circumstances, choose to exceed such level during short time periods

KEY DRIVERS FOR ACHIEVING GROWTH AND PROFITABILITY TARGETS

NET REVENUE, UAC DEVELOPMENT

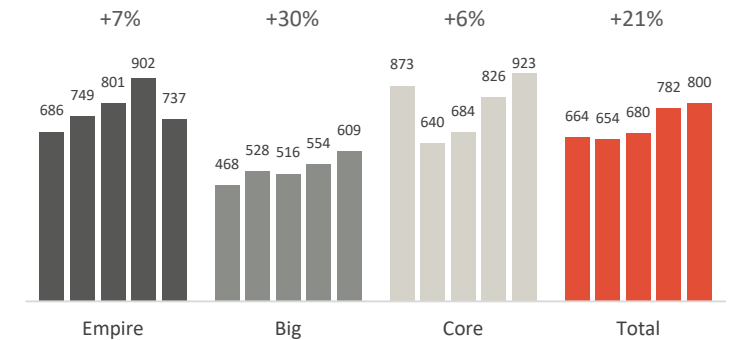
Net Revenue, MSEK UAC, MSEK UAC, % of Net Revenue



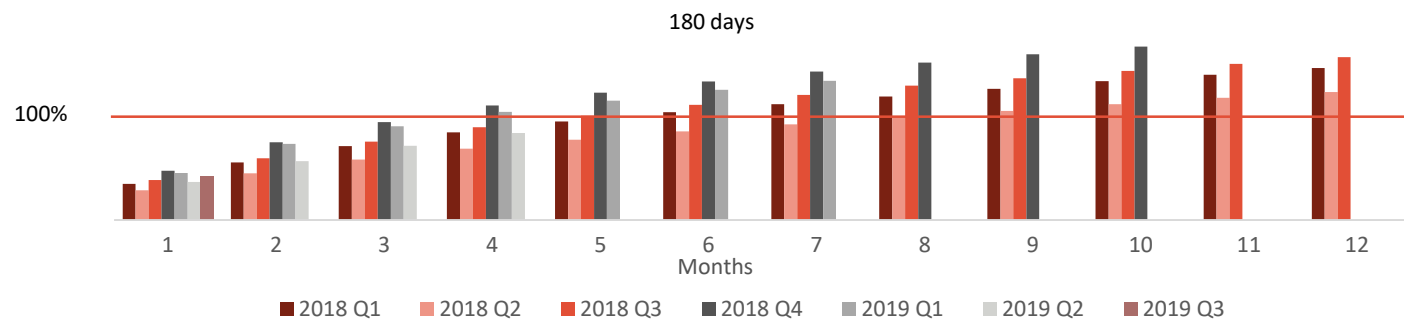
ARPMU*

(SEK)

Y-o-Y



RETURN ON ADVERTISEMENT SPEND, ROAS



* Average deposits per monthly paying user over the quarter – pertains to online games only

COMMENTS

UAC and live-ops key drivers for development:

UAC development

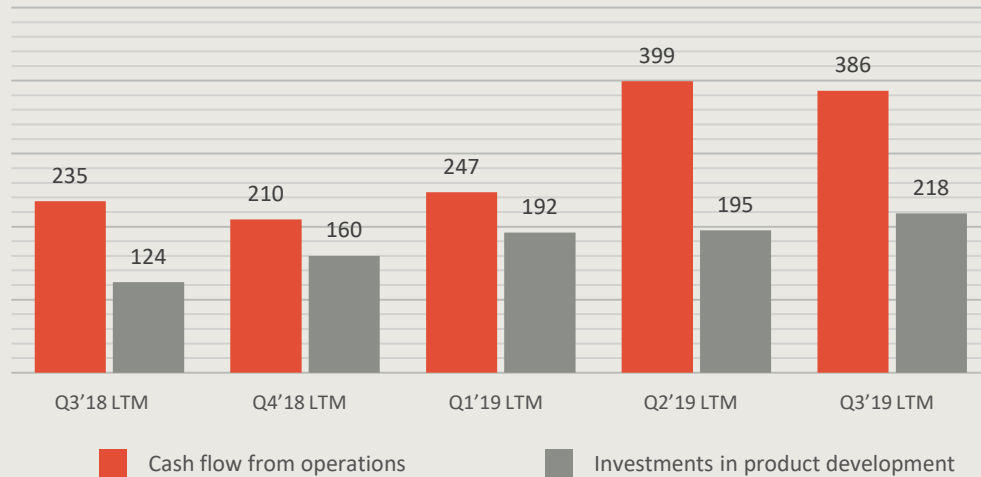
- Efficient and disciplined UAC drives a 9 percentage points reduction in UAC share of revenue
- Fluctuations between quarters, 16-26 percent
- 180 days return on marketing investments
- 2018 Q4 and 2019 Q1 – strongest return on ad spend in several years

Live ops

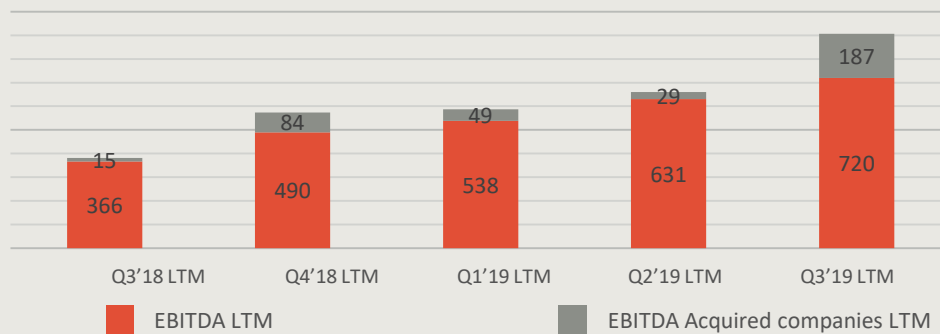
- ARPMU mirroring the progress in live ops
- Capital efficient use of resources

KEY DRIVERS BEHIND ACHIEVING OUR LEVERAGE TARGET

CASH GENERATIVE PLATFORM, MSEK



EBITDA GROWTH, MSEK



COMMENTS

- Highly cash generative profile evidenced by the solid and increasing cash flow due to organic growth and increased monetization
- Cash flow from more mature products generates cash flow to invest in new and existing products
- Organic growth and acquisitions add healthy EBITDA contribution
- A mix of equity, cash and earnout components in acquisition financing keep leverage at conservative levels

STILLFRONT GROUP



