

Q1 2018 Interim Report

May 16, 2018

THQ NORDIC



Today's presenter:

- Lars Wingefors
- Co-Founder & Group CEO



1. INTRODUCTION

DARKSIDERS III

Q1 2018 highlights

Q1 net sales	QoQ growth
SEK 633m	673%

EBITDA	QoQ growth
SEK 226m	439%

EBIT	QoQ growth
SEK 107m	236%

8 releases
in business area Games

Kingdom Come
Deliverance

MX vs ATV
ALL OUT

Acquisition of

KOCH MEDIA

Koch Media acquisition recap

Acquisition rationale

✓	AAA intellectual property rights Saints Row and Dead Island
✓	Long-term exclusive licence within Games for “Metro” based on books by Dmitry Glukhovsky
✓	4 AAA titles in production including announced Metro Exodus and Dead Island 2
✓	2 AAA studios Deep Silver Volition (Champaign, IL) and Deep Silver Dambuster Studios (Nottingham, UK)
✓	#1 Publishing partner in Europe for 50+ companies
✓	Complementary business models and entrepreneurial cultural fit
✓	Potential revenue synergy and strong platform for further acquisitions
✓	EPS accretive acquisition to THQ Nordic shareholders

Creating a European player of great scale

	THQ NORDIC	KOCH MEDIA	THQ NORDIC KOCH MEDIA
Internal development studios ¹	7	3	10
External development studios ¹	18	8	26
Number of IPs ¹	91	15	106
Development projects ¹	Announced	5	17
	Unannounced	9	33
Headcount (internal and external) ¹	462	1,181	1,643
Net sales 2017 9m, Apr-Dec	SEK 426m	SEK 2,548m	SEK 2,933m ²
Adj. EBIT 2017 9m, Apr-Dec	SEK 156m	SEK 296m ³	SEK 505m ^{2,3}

Name change update

1) December 31, 2017. 2) Pro forma. 3) Adjusted for write-downs of SEK 552m. Source: Koch Media, THQ Nordic



2. Q1 2018 financials update

Profit and Loss

SEKm	Q1 2018	Q1 2017	2017
Net sales	633	82	508
Net sales growth	QoQ 673%	QoQ 90%	YoY 68%
Gross profit margin	50%	70%	71%
EBITDA	226	42	273
EBITDA margin	36%	51%	54%
EBIT	107	32	188
EBIT margin	17%	39%	37%

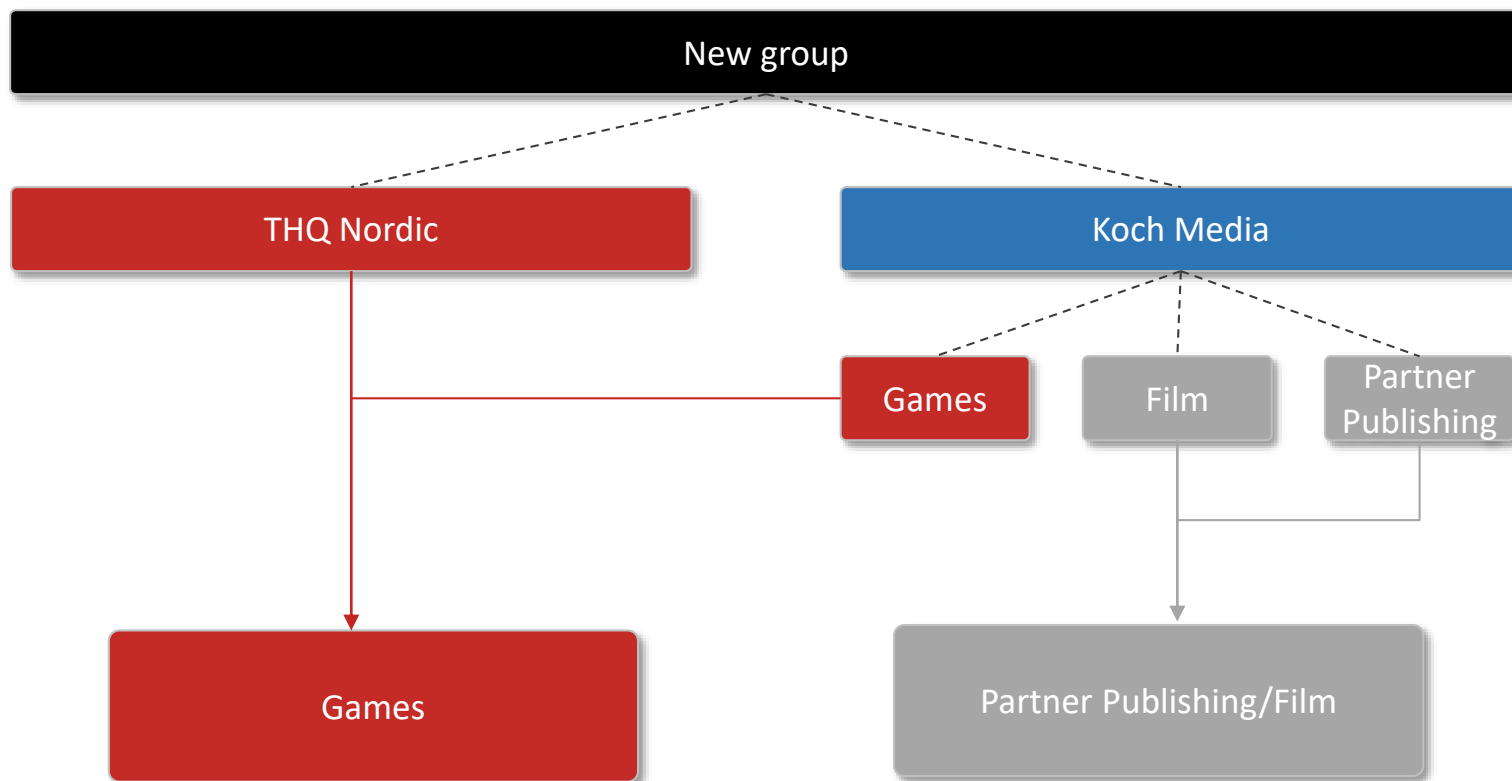
- Koch Media is consolidated from 14 Feb 2018
- Net sales increased by 673% to SEK 633m in Q1 2018 compared to Q1 2017
- Gross profit margin was 50% in Q1 2018 compared to 70% in Q1 2017
- EBITDA increased by 439% to SEK 226m in Q1 2018 compared to Q1 2017
- EBIT increased by 236% to SEK 107m in Q1 2018 compared to Q1 2017
- EBIT excluding Koch Media increased by 54% to SEK 49m in Q1 2018 compared to Q1 2017

Cash flow

SEK 000's	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
Cash flow from operating activities before changes in working capital	191,861	34,662	249,494
Change in working capital	507,915	-5,012	-70,395
Cash flow from operating activities	699,776	29,650	179,099
Cash flow from investing activities	-549,547	-68,068	-375,401
Cash flow from financing activities	-681,432	1,907	654,743
Cash flow for the period	-531,203	-36,511	458,441
Cash and cash equivalents at beginning of period	626,523	167,446	167,446
Translation difference in cash and cash equivalents	3,389	-93	636
Cash and cash equivalents at end of period	98,709	130,842	626,523

- Cash flow from operating activities for the quarter was SEK 699.8m (29.7). The difference is due to improved operating profit, higher depreciations and a reduction of working capital in Koch Media through forfeiting of about SEK 450m in the period.
- Cash flow from investing activities was SEK -549.5 m (-68.1), of which SEK -362.6m is relating to the acquisition of Koch Media and the rest is mainly investments in game development projects.
- Cash flow from financing activities amounted to SEK -681.4 m (1.9), of which SEK -781.3 m was amortization of debt by Koch Media during March.
- The group's total available cash and unutilized credit facilities were SEK 1,117.0 m (766.8 as of 31 December 2017).

Business areas in the new group





SEKm	Q1 2018	Q1 2017
Games - THQ Nordic	135	82 (64% organic growth)
Games - Deep Silver	257* / 342**	

Sales in Q1 2018
SEK 242m* / 463m**

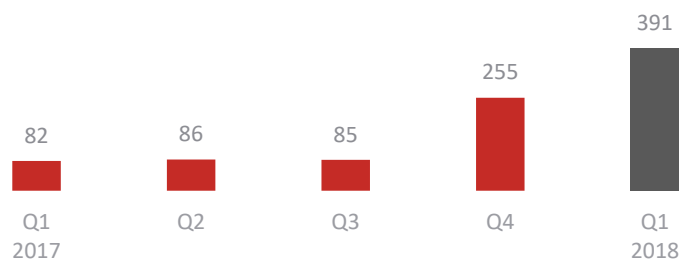
* = Sales in Q1 2018 from Koch Media consolidation date (14 Feb) / ** = Sales in full Q1 2018

Business area Games | Net sales breakdowns

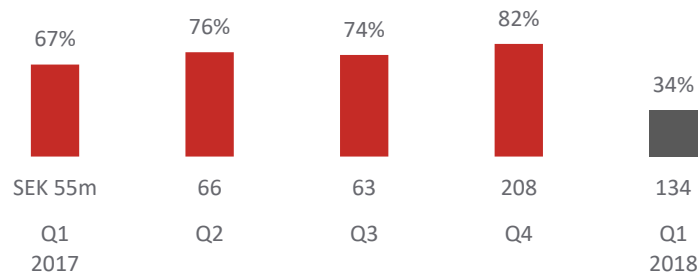
 = THQ Nordic only

 = THQ Nordic and Koch Media Games

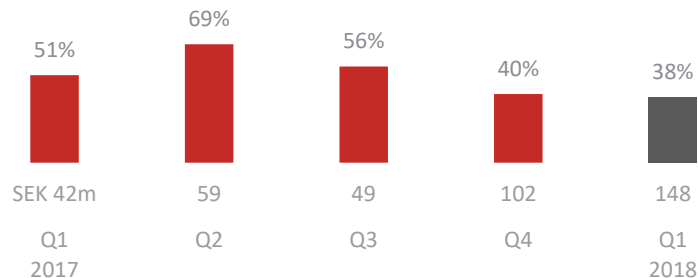
Net sales (SEKm)



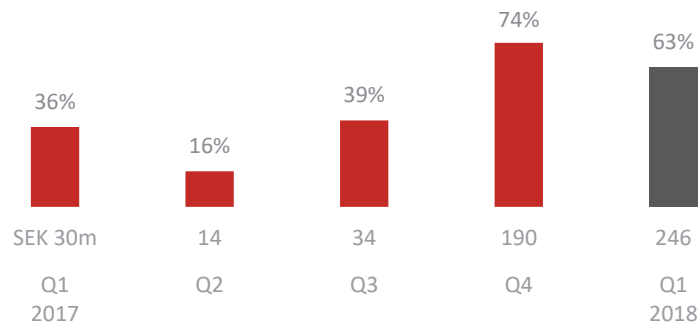
Owned titles % of net sales (remainder is publishing titles)



Digital % of net sales (remainder is physical)



New releases in quarter as % of net sales (remainder back cat)



Proforma net sales per business area

MSEK

	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>
Games - THQ Nordic	82	86	85	255	138
Games - Deep Silver,	119	178	326	142	342
Partner Publishing/Film - Koch Media	450	616	537	732	463
Totalt Net Sales	651	880	948	1130	943

Unaudited

Depreciation and investments

Continued significant pipeline investments

SEKm	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
DEPRECIATION:					
IPs	-3.4	-3.4	-3.5	-3.8	-4.1
Game development	-6.3	-5.6	-6.5	-43.4	-65.5
Partner Publishing and Film	-	-	-	-	-44.4
INVESTMENTS:					
Game development & royalty advances	54.2	44.2	58.9	54.2	115.3
Capitalized internal development	13.0	14.4	19.2	33.0	57.6
IP Acquisitions	-	-	3.8	-	-
Investments in films	-	-	-	-	6.4
Other investments in intangible assets	-	-	-	-	5.2
<i>whereof</i> completed development	0.8	1.9	39.8	133.9	122.9

Balance sheet

Larger balance sheet with Koch Media mainly relating to activated games development and NWC

SEK 000's	31 Mar 2018	31 Dec 2017
Intangible assets	1,899,243	571,064
Property, plant equipment	33,288	8,102
Financial assets	195,211	2,781
Inventories	146,162	30,103
Current receivables	590,522	90,206
Cash and bank balance	98,709	626,523
Total assets	2,963,135	1,328,779
Share capital	660	660
Other capital reserves	811,120	811,120
Recognized profit including profit for the period	374,802	261,452
Provisions	338,719	40,737
Current liabilities	1,437,834	214,810
Total liabilities and equity	2,963,135	1,328,779
Interest-bearing receivables amount to	98,709	626,523
Interest-bearing liabilities amount to	252,586	109,762

The company had intangible assets of SEK 1,899 m at the end of the period, distributed as follows:

- Finished, completed games SEK 200m
- Ongoing game development projects SEK 1,131m
- Films and royalty advances SEK 148m
- IP:s surplus values and goodwill SEK 420m
- Financial assets of SEK 195m mainly relate to a deferred tax asset in Koch Media
- The majority of SEK 591 current receivables are accounts receivable, mainly in Koch Media
- The majority of SEK 339m provisions relate to provisions for returns and price protection
- Current liabilities of SEK 1,438m mainly relate to accounts receivable, interest-bearing debt and deferred payment for Koch Media of €16m (to be paid in cash) and €9.5m (to be paid in shares)
- Net debt was SEK 154m



Kingdom Come Deliverance

➤ GET THE GAME ON STEAM ➤

"BRUTAL MEDIEVAL RPG FULL OF WAR, VENGEANCE AND
BEAUTIFUL ENVIRONMENTS"

3. Release activity and pipeline

84

PC GAMER

80

GAMESPOT

80

IGN

80

GAMEBLOK.FR

80

EVEREYE.IT

80

PCGAMESN

80

3D JUEGOS

85

MERISTATION

83

LEVELUP

85

PLAYGROUND.RU

Releases in Q1 2018 | Games

8 releases in business area Games in Q1 2018



PS4 Xbox One PC
Publishing
IP: 3rd party



PS4 Xbox One PC
Sequel
IP: THQ Nordic



PS4 Xbox One PC
Asset Care
IP: THQ Nordic



Nintendo 3DS
Publishing – Physical MENA
IP: 3rd party



PS4 Xbox One PC
Asset Care
IP: THQ Nordic



PS4 Xbox One
Asset Care
IP: THQ Nordic



PS4 Xbox One PC
Publishing – Physical
IP: 3rd party



PS4 Xbox One PC
New IP
IP: THQ Nordic

Mobile
games
update



Key releases in Q1 2018 | Partner Publishing/Film



Square Enix



Sega of America



C64 Mini has been major success
Koch Media has global distribution rights



Tecmo Koel



Square Enix

Back catalogue

Strong back catalogue
lead by:

F1 2017 (Codemasters)

Ark: Survival Evolved
(Studio Wildcard)

Persona 5 (Atlus)

Nickelodeon Asset Care deal

Classic Nickelodeon games are returning, thanks to THQ Nordic

nickelodeon™



降世神通
AVATAR
THE LAST AIRBENDER



Strongest pipeline to date



PS4 Xbox One PC
IP: Exclusive license
Planned release: Q1 2019



PS4 Xbox One PC
IP: THQ Nordic



PS4 Xbox One PC
IP: 3rd party



PS4 Xbox One PC
IP: Koch Media



PS4 Xbox One PC
IP: THQ Nordic



PS4 Xbox One PC
IP: THQ Nordic



PS4 PC
IP: 3rd party



PS4 Xbox One PC
IP: 3rd party



PS4 Xbox One PC Mac Switch
IP: THQ Nordic

**In total
54 projects
(19 announced and
35 unannounced)**

Equity research coverage expanded with Carnegie



Research analysts:
Oscar Erixon
Mikael Laséen



Lars-Ola Hellström



(Paid coverage)

Kristoffer Lindström



(Paid coverage)

Stefan Knutsson

METRO

EXODUS

Q&A