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Press release

Karlstad (Sweden), 13 February 2019, 6:30 a.m. CET

## **THQ Nordic acquires award-winning Warhorse Studios, the studio behind Kingdom Come: Deliverance**

**THQ Nordic AB's indirectly wholly owned subsidiary Koch Media GmbH has today entered into an agreement to acquire Prague based Warhorse Studios s.r.o., a leading game developer behind the successful award-winning title Kingdom Come: Deliverance. The purchase price amounts to 33.2MEUR on a cash and debt free basis. Warhorse's Net Revenues in 2018 amounted to approximately 42 MEUR<sup>1</sup>, with an adjusted EBIT of approximately 28 MEUR<sup>1</sup>.**

*"Warhorse Studios is one of the leading independent studios in Europe and I am proud to welcome them to the THQ Nordic group. Kingdom Come: Deliverance, which has now sold over 2 million copies, has been a great success since the release exactly one year ago. I look forward to continue working with the founders who will continue managing the studio under strong creative freedom for many years to come",* says Lars Wingefors, CEO of THQ Nordic AB.

### **The transaction in brief**

- THQ Nordic AB ("**THQ Nordic**" or "**The Company**") acquires 100 percent of the shares in Warhorse Studios s.r.o. ("**Warhorse**") through its indirectly wholly owned subsidiary Koch Media GmbH ("**Koch Media**"). Warhorse is a leading game developer of RPG games for PC and Console. The studio is based in Prague, making it THQ Nordic's first owned development studio in the Czech Republic.
- All intellectual property rights for Kingdom Come: Deliverance are included in the acquisition.
- The preliminary purchase price amounts to 42.8 MEUR, corresponding to 33.2 MEUR on a cash and debt free basis. The purchase price is allocated to 40.4 MEUR in liquid funds through the Company's existing cash and corresponding to 2.4 MEUR with newly issued B shares in THQ-Nordic. The price of the shares is based on a volume-weighted average price of 173.87 SEK per share and is associated with so-called lock-up commitments.
- For the period January-December 2018, Warhorse generated Net Revenues<sup>1</sup> of approximately 42 MEUR and an adjusted EBIT<sup>1</sup> of approximately 28 MEUR.

*"Becoming part of THQ Nordic family is an important milestone for our studio. We began as a small start-up with a handful of employees who were enthusiastic enough to join this challenging project. The skills of our team members, trust and support of our main investor and passion of our fans, who supported development of Kingdom Come: Deliverance through a Kickstarter campaign, helped us grow to an international level. We believe that backing by THQ Nordic will give us an extra push in our mission to bring exciting games to our customers and extend the frontiers of the gaming industry,"* says Martin Frývalský, CEO Warhorse Studios.

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<sup>1</sup> Warhorse Studios' unaudited Management Accounts for 2018 adjusted in accordance with THQ Nordic GAAP.  
Note: FX rates used: Warhorse P&L: EUR/CZK 25.642 (2018 average). Balance Sheet: EUR/CZK 25.725 (Dec-2018).  
Purchase price calculations: EUR/CZK 25.871 (12-Feb-2019)

### Background and rationale

On February 13, 2019, Koch Media entered into an agreement with the sellers to acquire 100 percent of the shares in Warhorse.

Warhorse is the leading game development studio behind the global success KC:D, which was released in February 2018 and has already sold over 2 million copies. The studio was founded in 2011 by industry veterans Daniel Vávra and Martin Klíma, who together with their team have an impressive track record of dozens of developed award-winning games. In total, their past titles have sold over 11 million copies, with many are considered to belong to the “classics” within their respective genres.

KC:D started as a project crowdfunded by a Kickstarter campaign, where over 35 000 fans partially funded the game and have been able to follow the game under development along the way. KC:D is a story-driven RPG set in an open world that takes place during the Middle Ages in the 15th century.

Koch Media has a robust existing relationship with Warhorse and has acted as publisher for KC:D since 2016. Warhorse will continue to act as an independent studio under Koch Media.

Warhorse Studios is owned by the founders Daniel Vávra and Martin Klíma and an external financial investor. Both founders will remain in their current roles. CEO Martin Frývalský will continue in his role for Warhorse.

### Warhorse's financials as of the twelve-month period ended December 31, 2018

Shown below is Warhorse's unaudited Income Statement for the full year 2018. The financials shown below have been adjusted in accordance with THQ Nordic's accounting principles.

MEUR	Warhorse (as adjusted) Jan-Dec 2018
Net Revenue	42.0
Other operating income	3.8
<b>Total operating income</b>	<b>45.8</b>
Other operating expenses	-9.2
<b>Adjusted EBITDA</b>	<b>36.5</b>
Depreciation and amortization	-8.7
<b>Adjusted EBIT</b>	<b>27.8</b>
Financial items	0.5
<b>Earnings before tax EBT</b>	<b>28.4</b>

The period above was driven by the successful launch and sale of Kingdom Come: Deliverance. Warhorse owns the IP as well as the publishing rights for Steam and other PC platforms of this game. Additionally, expansions through so-called DLC have contributed to the strong sales. Estimated additional development costs that can be capitalized based on THQ Nordic's accounting principles amount to 0.2MEUR (which has been adjusted above and included in the item Other operating income).

An unaudited balance sheet pro forma for Warhorse as of December 31, 2018 is shown below.

<b>MEUR</b>	<b>Warhorse (as adjusted) Dec 31 2018</b>
Intangible assets	7.8
Property, plant and equipment	0.1
Current receivables	4.4
Cash and bank balance	14.4
<b>Total assets</b>	<b>26.6</b>
Equity	20.1
Deferred tax liabilities	0.4
Current liabilities	6.2
<b>Total liabilities and equity</b>	<b>26.6</b>

Intangible assets above relate primarily to capitalized development costs (adjusted upwards by approximately 2 MEUR to reflect THQ Nordic GAAP; the adjustment is primarily driven by a different phasing of related amortization).

#### **Impact on THQ Nordic's consolidation**

The acquisition will be consolidated in THQ Nordic's financial reports as of today's date. A customary purchase price allocation exercise will be performed later in the quarter, where the surplus value will be allocated to IP rights, goodwill and possibly other categories of intangible assets, all with a 5-year amortization period. The surplus value has been calculated at 22.7 MEUR as of December 31, 2018, based on the above adjusted balance sheet. Approximately 60 percent of the main game has been amortized in the above adjusted balance sheet.

#### **Purchase price and lock-up period**

42.8 MEUR, equivalent to 33.2 MEUR on a cash and debt free basis, will be paid at completion of the transaction through a cash payment of 40.4 MEUR to the sellers, and 2.4 MEUR in newly issued class B shares in THQ Nordic issued at the time of the transaction ("**Consideration shares**") at a price per share which is based on the volume-weighted average price for the Company's shares on Nasdaq First North during the twenty (20) trading days preceding the signing date (i.e. February 13, 2019), i.e. 173.87 SEK. Thus, the Consideration Shares will comprise 142 870 class B shares.

The Consideration Shares will be subject to lock-up commitments. 50 percent of the Consideration Shares will be covered by a one-year lock-up and 50 percent of the Consideration Shares will be covered by a two-year lock-up.

The Consideration Shares are not subject to any transfer restrictions or Claw Back rights.

#### **Issue of the consideration shares**

The Consideration Shares will represent 0.16 percent and 0,08 percent of the total number of shares and votes in THQ Nordic, respectively, on a fully diluted basis. By issuing the Consideration Shares, the number of shares increases by 142,870 to 91,493,617 and the number of votes increases by 142,870 to 172,493,617 (divided among 9,000,000 class A shares and 82,493,617 class B shares). The share capital increases by approximately 1,191 SEK from approximately SEK 721,256 to approximately 726,447 SEK. Resolution to issue the Consideration Shares will be made by THQ Nordic's Board of Directors in connection with completion with the support of the Annual General Meeting's authorization on 16 May 2018.



### **Advisers**

Ernst & Young AB is providing transaction support and Baker McKenzie is acting as legal counsel to THQ Nordic in connection with the transaction.

### **For additional information, please contact:**

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### **About THQ Nordic**

THQ Nordic acquires, develops and publishes PC and console games for the global games market. The company has an extensive catalogue of over 100 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro (exclusive license), Titan Quest, MX vs ATV, Kingdoms of Amalur, Time Splitters, Delta Force, Alone in the Dark, Wreckfest amongst others.

THQ Nordic has a global presence, with its group head office located in Karlstad, Sweden and with three divisions; Deep Silver/Koch Media, THQ Nordic and Coffee Stain. The group has fifteen internal game development studios based in Germany, Finland, UK, USA and Sweden and engages about 2,000 people.

THQ Nordic's shares are publicly listed on Nasdaq First North Stockholm under the ticker THQN B with FNCA Sweden AB as its Certified Adviser, reachable via [info@fnca.se](mailto:info@fnca.se) or phone: 08-528 00 399. For more information, please visit: <http://www.thqnordic-investors.com>.

*This information is information that THQ Nordic is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 6.30 a.m. CET on 13 February 2019.*

### **Forward-looking statements**

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about and targets for the Company's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release.