Q1 FY19/20 Interim Report
14 Aug 2019

Today’s presenter:
- Lars Wingefors
- Co-Founder & Group CEO
1. Operational and financial performance
Operational and financial highlights

Financial performance driven by strong digital back catalog of owned games

Q1 FY19/20

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>SEK 1,142m</td>
<td>36%</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>SEK 204m</td>
<td>193%</td>
</tr>
<tr>
<td>Cash flow from operating activities (after change in working capital)</td>
<td>SEK 441m</td>
<td></td>
</tr>
</tbody>
</table>

Increased profitability driven by:
- Strong back catalog
- Owned titles
- Digital sales

Selected pipeline updates

Record investments in game development in the quarter:

**SEK 356m**
(SEK 208m same quarter last year)

81 pipeline projects
(of which 34 have been announced)

At least two AAA projects expected to be released in FY20/21

Further strengthening of the Executive Management Team:
- New Group CFO: Johan Ekström
- Prior CFO and Co-Founder Erik Stenberg promoted to deputy Group CEO

METRO EXODUS
Satisfactory Early Access
# Key PnL metrics

<table>
<thead>
<tr>
<th></th>
<th>SEK million</th>
<th>Quarter</th>
<th>Trailing twelve months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 FY19/20</td>
<td>Q2 2018</td>
<td>YoY Change</td>
</tr>
<tr>
<td>Net sales</td>
<td>1,142</td>
<td>837</td>
<td>36%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>390</td>
<td>207</td>
<td>88%</td>
</tr>
<tr>
<td>Operational EBIT</td>
<td>204</td>
<td>70</td>
<td>193%</td>
</tr>
<tr>
<td>Operational EBIT margin</td>
<td>18%</td>
<td>8%</td>
<td>17%</td>
</tr>
<tr>
<td>Adj. EPS (SEK)</td>
<td>1.53</td>
<td>0.58</td>
<td></td>
</tr>
</tbody>
</table>
Depreciation and amortization

Q1 FY19/20
SEKm

EBITDA: 390
- Game development: -162
- Other intangible assets (Film etc.): -17
- Other (mainly PPE): -7
- Operational EBIT: 204
- IP rights: -69
- Surplus value Film, Partner Publishing: -8
- Goodwill: -46
- Reported EBIT: 81
Investments in intangible assets the quarter

Q1 FY19/20
SEKm

IP-rights
Other intangible assets (Film etc.)
Internal capitalized development
External game development and advances
Total
0
22
131
225
378

Finalized and completed game development: SEK154m

Note: Not including investments in property, plant and equipment which was SEK 11m in the quarter

Investments in game development by quarter

SEKm

Internal capitalized development
External game development and advances

Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2
2016 2017 2018 2019
0 50 100 150 200 250 300 350 400

Total
208
305
356

225
131
## Key cash flow metrics

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Quarterly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 FY19/20</td>
</tr>
<tr>
<td></td>
<td>Apr–Jun 2019</td>
</tr>
<tr>
<td>Cash flow from operating activities before changes in working capital</td>
<td>306</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>135</td>
</tr>
<tr>
<td>Cash flow from operating activities after changes in working capital</td>
<td>441</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-394</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>183</td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>230</td>
</tr>
</tbody>
</table>

- No forfeiting as at 30 June 2019. As per 31 March 2019, forfeiting amounted to SEK 51m. This reduction in forfeiting has decreased “Cash flow from operating activities after changes in working capital” correspondingly.
## Balance sheet

<table>
<thead>
<tr>
<th>SEK million</th>
<th>30 Jun 2019</th>
<th>31 Mar 2019</th>
<th>30 Jun 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intangible assets</strong></td>
<td>3,819</td>
<td>3,707</td>
<td>2,028</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>160</td>
<td>156</td>
<td>145</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td>178</td>
<td>196</td>
<td>206</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>385</td>
<td>323</td>
<td>179</td>
</tr>
<tr>
<td><strong>Current receivables</strong></td>
<td>1,373</td>
<td>1,297</td>
<td>610</td>
</tr>
<tr>
<td><strong>Cash and bank balance</strong></td>
<td>3,159</td>
<td>2,929</td>
<td>1,514</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>9,074</strong></td>
<td><strong>8,608</strong></td>
<td><strong>4,683</strong></td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Other capital reserves</strong></td>
<td>4,976</td>
<td>4,976</td>
<td>2,357</td>
</tr>
<tr>
<td><strong>Recognized profit incl. profit for the period</strong></td>
<td>801</td>
<td>736</td>
<td>422</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>589</td>
<td>667</td>
<td>319</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>211</td>
<td>211</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>2,497</td>
<td>2,018</td>
<td>1,584</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>9,074</strong></td>
<td><strong>8,608</strong></td>
<td><strong>4,683</strong></td>
</tr>
</tbody>
</table>

- Intangible assets of SEK 3,819m at 30 Jun 2019 comprising:
  - Finished, completed games of SEK 427m
  - Ongoing game development projects of SEK 1,280m
  - Other intangible assets (film etc.) of SEK 163m
  - IP-rights of SEK 1,000m
  - Surplus value Film and Partner publishing of SEK 161m
  - Goodwill of SEK 787m

- As of 30 Jun 2019, cash and cash equivalents were SEK 3,159m. Available liquidity including credit facilities was SEK 4,671m
2. Business areas
Games – net sales breakdowns

### Net sales

<table>
<thead>
<tr>
<th>Period</th>
<th>Digital</th>
<th>Owned titles (rest is publishing titles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-Jun Q2 2018</td>
<td>484 SEKm</td>
<td>1,215 SEKm</td>
</tr>
<tr>
<td>Jul-Sep Q3</td>
<td>553 SEKm</td>
<td>1,506 SEKm</td>
</tr>
<tr>
<td>Oct-Dec Q4</td>
<td>1,803 SEKm</td>
<td>1,803 SEKm</td>
</tr>
<tr>
<td>Jan-Mar Q1 2019</td>
<td>1,035 SEKm</td>
<td>2,447 SEKm</td>
</tr>
<tr>
<td>Apr-Jun Q1 FY19/20</td>
<td>641 SEKm</td>
<td>2,605 SEKm</td>
</tr>
</tbody>
</table>

- 33% YoY growth in the quarter (quarterly)

### Digital (rest is physical)

- 20% Apr-Jun Q2 2018
- 50% Jul-Sep Q3
- 41% Oct-Dec Q4
- 61% Jan-Mar Q1 2019
- 71% Apr-Jun Q1 FY19/20

### New releases (rest is back catalog)

- 20% Apr-Jun Q2 2018
- 58% Jul-Sep Q3
- 75% Oct-Dec Q4
- 58% Jan-Mar Q1 2019
- 18% Apr-Jun Q1 FY19/20
Games – Deep Silver

Key releases in the quarter

- Saints Row
- Metro Exodus
- Kingdom Come: Deliverance
- Warhorse
- Saints Row
- Iron Harvest

Selected upcoming releases

- Dead Island
  - PC, PS4, XB1
  - IP: Own
- Shenmue III
  - PC, PS4
  - IP: 3rd party
- Iron Harvest
  - PC, PS4, XB1
  - IP: 3rd party
- Warhorse
  - Top Secret
- Saints Row
  - Top Secret

Additional Deep Silver development updates

- Dambuster Studios is now leading the development of Dead Island 2
- Fishlabs is working on a new IP and a number of unannounced projects
- We acquired TimeSplitters in 2018 and its co-creator Steve Ellis has joined us to help plot the future course of the IP

Strong back catalog mainly driven by

- Metro
- Kingdom Come: Deliverance
- Warhorse
- Saints Row
- Iron Harvest

SEK million

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>338</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>252</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>187</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>794</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>373</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 10% YoY growth in the quarter

7 releases in total
### Games – THQ Nordic

#### Selected releases in the quarter

<table>
<thead>
<tr>
<th>SEK million</th>
<th>2018</th>
<th>2019</th>
<th>FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Net sales</td>
<td>146</td>
<td>124</td>
<td>352</td>
</tr>
</tbody>
</table>

- 27% YoY growth in the quarter

#### Legendary studio acquired (including IPs)

- Foxglove operations and assets have been sold to prior owners for a nominal amount due to lack of profitability
- License and IP deal for an unutilized midsized game title

#### Selected upcoming releases

- **BIOMUTANT**
  - PC PS4 XB1
  - IP: Own

- **WRECKFEST**
  - PS4 XB1
  - IP: Own

- **DESPERADOS III**
  - PC PS4 XB1
  - IP: Own

- **DESTROY ALL HUMANS!**
  - PC PS4 XB1
  - IP: Own

- **DARKSIDERS GENESIS**
  - PC PS4 XB1
  - IP: Own

- **Bikini Bottom Rehydrated**
  - PC PS4 XB1 Switch
  - IP: 3rd party

### Strong reception – millions of trailer views

- Millions of trailer views

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**Notes:**

- THQ Nordic
- FY 19/20
- PC PS4 XB1
- IP: Own
- PC PS4 XB1 Switch
- IP: 3rd party
### Games – Coffee Stain

#### SEK million

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Net sales</td>
<td>n/a</td>
<td>n/a</td>
<td>14</td>
</tr>
</tbody>
</table>

#### Selected upcoming releases

- **E3** Announced at E3
  - TOP SECRET
    - PC
    - IP: Own
  - SONGS OF CONQUEST
    - PC
    - IP: 3rd party
  - MIDNIGHT GHOST HUNT
    - PC
  - VAULTED SKY
    - PC

#### Strong back catalog mainly driven by

- **SATISFACTORY**
  - PC (Early Access)
  - IP: Own
  - Successful promotion on Epic Games Store in the quarter
  - Released major update: Trains and Nuclear

- **No releases in the quarter**

- **Satisfactory** has continued to exceed management’s expectations at the acquisition of Coffee Stain in Nov 2018

- **During the quarter,** Coffee Stain signed two unannounced investment and publishing agreements with two different Scandinavian developers
Partner Publishing

Notable releases in the quarter

<table>
<thead>
<tr>
<th>SEK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
</tr>
<tr>
<td>Q2</td>
</tr>
<tr>
<td>Net sales</td>
</tr>
</tbody>
</table>

- 42% YoY growth in the quarter mainly attributable to earlier release of “F1 2019” versus last year (June 2019 versus August 2018)

Selected upcoming releases in Q2 FY19/20

- Dragon Quest Builders 2 by Square Enix
- Final Fantasy XIV Shadowbringers by Square Enix
- Wolfenstein Cyberpilot by Bethesda
- Wolfenstein Youngblood Deluxe Edition by Bethesda

- After the quarter: Two notable agreements signed of which one is Techland’s Dying Light 2
- Will be notably fewer releases in next quarter (Q2 FY19/20) compared to the same period last year
- While the physical market has headwinds – we see an opportunity for us to drive market share growth in this segment as publishers increasingly outsource their physical game distribution

Partner Publishing

by Codemasters

by Sega

by Sega

Solutions2GO, developed by Saber Interactive

by Sega

by Sega

by Sega

by Sega

by Sega
M&A outlook

- M&A prospects continue to look favorable
- Ongoing, patient scouting and research activity at HQ in Sweden, THQ Nordic Vienna, Koch Media Deep Silver and Coffee Stain
- Substantial watchlist of IPs, development studios and publishers
- Strategy of giving autonomy to our local management teams is empowering them to continue succeeding and is attracting more studios and publishers to join our family
THQ Nordic acquires Gaya Entertainment GmbH

Gaya in brief

• A leading European manufacturer of gaming-IP merchandise and collectibles across all product categories, partnering with forefront running IPs and trademarks
• Founded in 2006 by Andre and Marko Schmitz who will remain with the company
• Langenfeld, Germany
• 29 FTEs
• Net sales 2018: €6m

Transaction in brief

• Acquisition price: €1 for 100% of the shares
• Gaya to be integrated in Koch Media, enhancing our Partner Publishing offering
• With synergies (such as warehouse consolidation with Koch Media) we aim for Gaya profitability in line with rest of our Partner Publishing business

Business overview

Production of merch

Key licensors

Brand-specific e-shops

Staffed pop-ups

Note: The seller is Nordic Games Group AB, a company controlled by the founders of THQ Nordic AB, including 72% by Lars Wingefors. According to regulations for transactions with closely related parties, the decision was made by the three independent members of the Board of Directors of THQ Nordic AB.
THQ Nordic acquires Game Outlet Europe AB

**GOE in brief**

- An independent niche distributor of reprinted physical videogames, gaming hardware and retro-gaming hardware
- Founded in 1994 by Lars Wingefors and others
- HQ in Karlstad, Sweden
- 13 FTEs, CEO is David Nilsson
- 14% of net sales in Sweden, 75% in rest of Europe
- Net sales 2018: SEK 90m
- EBIT 2018: SEK 9.5m

**Business overview**

**Video games**

**Retro**

**Key suppliers**

- SEGA
- EA
- WB
- BANDAI NAMCO
- THQ NORDIC
- CAPCOM
- UBISOFT
- SQUARE ENIX
- Koch Media
- 8BitDo

**Accessories**

**Transaction in brief**

- Price: SEK 10m for 100% of the shares
- 2.3x implied EV/EBIT 2018 on a cash and debt free basis
- Rationale: Stable, profitable business which enhances our Partner Publishing offering

Note: The seller is Nordic Games Group AB, a company controlled by the founders of THQ Nordic AB, including 72% by Lars Wingefors. According to regulations for transactions with closely related parties, the decision was made by the three independent members of the Board of Directors of THQ Nordic AB.
THQ Nordic acquires KSM GmbH

KSM in brief

- A leading anime film provider in Germany
- Acquired assets mainly consists of a large film-rights catalog of more than 1,000 movies for both digital and physical distribution
- Founded in 2002 by current CEO Benjamin Krause
- HQ in Wiesbaden, Germany
- 45 employees
- Net sales 2018: €17.5m
- EBIT 2018: €1.9m

Transaction in brief

- Acquiring 100% of the shares from founder and CEO Benjamin Krause
- Purchase price expected to be recouped within 3–4 years on a net cash flow basis
- KSM to be integrated into our Koch Media Partner Publishing business
- Anime film is linked to gaming and thus fits well with our Partner Publishing offering
- Before the transaction, management made a strategic review of the Group’s film business and concluded that a critical mass was needed in the film business to stay relevant and improve return on capital employed

Acquisition after quarter end