THQ Nordic AB (publ) acquires Koch Media

Investor Presentation
February 14, 2018
## 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

|                                | THQNORDIC | KOCH MEDIA | THQNORDIC  
|--------------------------------|-----------|------------|------------
| Internal development studios¹  | 7         | 3          | 10         |
| External development studios¹  | 18        | 8          | 26         |
| Number of IPs¹                 | 91        | 15         | 106        |
| Development projects¹          |           |            |            |
| Announced                      | 12        | 5          | 17         |
| Unannounced                    | 24        | 9          | 33         |
| Headcount (internal and external)¹ | 462     | 1,181      | 1,643      |
| Net sales 2017 9m, Apr-Dec     | SEK 426m  | SEK 2,548m | SEK 2,933m² |
| Adj. EBIT 2017 9m, Apr-Dec     | SEK 156m  | SEK 296m³  | SEK 505m²³ |

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

Transaction information

- Purchase price of EUR 91.5m
  - EUR 66m in cash paid at closing
  - EUR 16m in cash paid no later than August 14, 2018
  - EUR 9.5m in shares paid no later than June 15, 2018
- Dilution of approximately 1.2% and 0.6% of number of outstanding shares and votes for THQ Nordic shareholders
- Total consideration for 100 percent of share capital amounts to EUR 121m on a cash and debt free basis
- Closing is expected to take place later today i.e. February 14, 2018
- THQ Nordic will re-assess its capital structure and explore potential debt financing possibilities in order to continue to be active in value enhancing acquisitions

Source: Koch Media, THQ Nordic
Strong platform and operational setup

- No changes in Koch Media company structure post transactions
- Klemens Kundratitz will continue to run Koch Media operations
- Klemens Kreuzer will continue to run THQ Nordic operations in Austria
- Total headcount of 1,643 employees:
  - 517 internal development
  - 644 external development
  - 482 internal non-development

Source: Koch Media, THQ Nordic
Koch Media has a long track record in Games, Partner Publishing, and Film

1994
- Founded by Klemens Kundratitz along key management

1996
- Koch Films is founded

2002
- Deep Silver is founded
- Opens US branch

2003
- Enters the video games market

2008
- Turnover surpasses EUR 300 million

2009
- Dead Island: Deep Silver scores its first #1 hit with Dead Island

2010
- Deep Silver scores its first #1 hit with Dead Island

2011
- Deep Silver acquires Dambuster Studios along with IP Homefront from Crytek

2012
- Deep Silver acquires game development studio Volition in the USA along IPs Saints Row and Metro from THQ Inc.

2013
-

2014
-

2015
-

2016
-

2017
- Source: Koch Media, THQ Nordic
## Strong combination of business areas within Koch Media

### Games
- Publishing labels: Deep Silver & Ravenscourt
- Four AAA titles in development
- Major IPs of Dead Island, Saints Row, Metro
- Global presence

### Partner Publishing
- Market leading in Europe
- 11 offices across the world. Replaces other publishers local offices in sales & marketing
- Blue-chip customers

### Film
- Independent distributor and co-producer of films
- Digital and physical sales channels – majority of revenues are non-physical
- Various niches such as "cult classics" in Germany and Horror movies in Italy

### At a glance

<table>
<thead>
<tr>
<th>Games</th>
<th>Partner Publishing</th>
<th>Film</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publishing labels: Deep Silver &amp; Ravenscourt</td>
<td>Market leading in Europe</td>
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</tr>
<tr>
<td>Four AAA titles in development</td>
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</tr>
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<td>Blue-chip customers</td>
<td>Various niches such as &quot;cult classics&quot; in Germany and Horror movies in Italy</td>
</tr>
</tbody>
</table>

### Net sales and share of total

<table>
<thead>
<tr>
<th>Games</th>
<th>Partner Publishing</th>
<th>Film</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 68m</td>
<td>EUR 175m</td>
<td>EUR 20m</td>
</tr>
</tbody>
</table>
- 26% share of total
- 67% share of total
- 8% share of total

### Key KPIs

<table>
<thead>
<tr>
<th>Games</th>
<th>Partner Publishing</th>
<th>Film</th>
</tr>
</thead>
<tbody>
<tr>
<td>~340 internal developers</td>
<td>50+ publishing partners</td>
<td>~1,500 film titles in rights-catalogue</td>
</tr>
<tr>
<td>~415 external developers</td>
<td>11 local publishing offices</td>
<td>~250 license partners</td>
</tr>
<tr>
<td>15 IPs</td>
<td>14 Game development projects</td>
<td>Up to 10 international productions released per year</td>
</tr>
</tbody>
</table>

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1) Management accounts for the period FY2017/18 9m Apr-Dec. 2) December 31, 2017. Source: Koch Media
Volition – Highly praised open-world developer

Overview

Game development studio in Champaign, IL

World class studio of open-world, action/destruction genre games

Proprietary engine Volition has enabled games like Red Faction and Summoner

Focus on PC and console

Jim Boone is Studio Development Director

148 employees¹

Selection of titles

Timeline of released games

¹ December 31, 2017. Source: Koch Media
25 years of game development experience

1993
Game studio established

1996
Split from Parallax Software

2000
Acquired by THQ

2013
Acquired by Koch Media / Deep Silver

2017
Restructuring after release of Agents of Mayhem where the number of employees went from 200 to 150

Source: Koch Media
Dambuster Studios

Overview

Game development studio in Nottingham, UK

Historical focus on console games

Lean and efficient team with thin layer of management

Robert Matthews is the Studio Development Director

108 employees¹

Selection of titles

TimeSplitters

Crysis

Homefront: The Revolution

Timeline of released games

¹) December 31, 2017. Source: Koch Media
20 years of game development experience

History

1999
Founded as Free Radical Design

2009
Acquired by German game developer Crytek GmbH and rebranded Crytek UK

2014
Acquired by Koch Media / Deep Silver and rebranded Dambuster Studios

2017
After the release of Homefront: The Revolution, Dambuster Studios is now focused on a new project for home consoles and windows PC

Source: Koch Media
Deep Silver Fishlabs – Game development studio in Hamburg

Overview

Game development studio and publisher in Hamburg

Historical focus on mobile games but present in PC and console which is focus going forward

Well established relationships to platform holders and store manager all across the globe

120+ million installs across platforms

67 employees¹

Selection of game titles

History

2004 2011 2013

Founded  Awarded “Best Studio 2011” in German Game Developer awards  Acquired by Koch Media / Deep Silver

¹) December 31, 2017. Source: Koch Media
Overview
Post-apocalyptic, first person shooter
First title released in 2010
Deep Silver has a long agreement with the rights to make games of Metro
EUR 95m in lifetime revenues
~12m copies sold in lifetime on all platforms
Metro Exodus under development by external studio 4A Games (140 employees) in Malta and Ukraine

To be released: 2018
3.5m views of Metro Exodus trailer on Youtube

Release date: May 2013
metacritic Userscore
8.6
STEAM Userscore
n.a.

Release date: Mar 2010
metacritic Userscore
8.1
STEAM Userscore
93%

1) October 2017. 2) Steamspy (2018-02-08), VGChartz (2018-02-09) and management estimate. 3) Youtube (2018-02-08), channel: Metrovideogame. Source: Koch Media, Metacritic (2018-02-08)
Dead Island IP

Overview
Open world survival, horror action and role-playing

First title released in 2011, developed by Techland, to critical acclaim

EUR 185m in lifetime revenues¹

14m+ copies sold in lifetime on all platforms²

Dead Island 2 under development by external studio Sumo in the UK

16m views of Dead Island trailer and 9m views on Dead Island 2 trailer on Youtube³

Release date: Apr 2013

metacritic

Userscore

6.1

86%

Release date: Sep 2011

metacritic

Metascore

80

86%

¹ October 2017. ² Steamspy (2018-02-08), VGChartz (2018-02-09) and management estimate. ³ Youtube (2018-02-08), channels: IGN, IGDBcom.

Source: Koch Media, Metacritic (2018-02-08)
# Saints Row IP

## Overview

Open world action-adventure, non-linear gameplay with comedic elements

First title released in 2006, all titles developed by Volition

The Saints Row IP has been one of THQ Inc’s largest successes

USD 600m in lifetime revenues

32m+ copies sold in lifetime on all platforms

<table>
<thead>
<tr>
<th>Title</th>
<th>Release Date</th>
<th>Metacritic</th>
<th>UserScore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saints Row</td>
<td>Aug 2006</td>
<td>n.a.</td>
<td>7.5</td>
</tr>
<tr>
<td>Saints Row</td>
<td>Aug 2013</td>
<td>86</td>
<td>92%</td>
</tr>
<tr>
<td>Saints Row</td>
<td>Oct 2008</td>
<td>8.0</td>
<td>77%</td>
</tr>
<tr>
<td>Saints Row</td>
<td>Nov 2011</td>
<td>8.1</td>
<td>96%</td>
</tr>
</tbody>
</table>

1) October 2017. 2) Steamspy (2018-02-08), VGChartz (2018-02-09) and management estimate. Source: Koch Media, Metacritic (2018-02-08)
Other IPs – Agents of Mayhem and Homefront

Open world action-adventure game developed by Volition

Same fictional universe as Saints Row series

Released in August 2017

EUR 19m in lifetime revenues¹

~0.3m copies sold in lifetime on all platforms²

Poor sales volumes due to not delivering a game of the right quality to Saints-row fan base

First-person shooter in open world environment

Dambuster studios finished development

Released in May 2016

EUR 33m in lifetime revenues¹

~1.2m copies sold in lifetime on all platforms²

Poor sales volumes due to release of a non-finished product (it is still being updated)

Total impairment of Agents of Mayhem and Homefront in the last 30 months of EUR ~87m³

¹ October 2017. ² Steamspy (2018-02-09), VGChartz (2018-02-09) and management estimate. ³ July 2015-December 2017. Source: Koch Media
Deep Silver has a strong pipeline of new games

Koch Media has 5 announced and 9 unannounced projects in its pipeline in total, as of 31 Dec 2017
#1 European publishing partner with global presence

Overview of publishing and distribution capabilities

- Strategic planning and product launch
- Manufacturing and local distribution
- Co-publishing deal options
- Development support
- Marketing, events and PR/social media

Local distribution presence in major geographies

**Distribution centre**
Höfen, Austria
Serving continental Europe within 24 hours

Selected key partners

Source: Koch Media
Stable sales development in recent years

Net sales development for Koch Media standalone

EURm

FY12/13  FY13/14  FY14/15  FY15/16  FY16/17 (9m, Jul-Mar)  FY17/18 (9m, Apr-Dec)

1.8%

Games  Partner Publishing  Film

Note: Management accounts. Source: Koch Media
The post deal group

Business and strategy focus

- Each organisation maintains full operational focus on executing its own business plan for 2018
- No cost savings programme planned
- No operational changes to each entity management
- Primary focus to deliver on THQ Nordic’s, Deep Silver and Koch Media’s respective full release pipelines
- More stable operation from larger publishing capacity and a more flexible organisation
- Revenue synergy implementation, e.g. from partnerships from both groups’ IPs, assets and development capacity, distribution power, office proximity
- Margin improvements through pro-active further co-publishing, licensing, and more publishing products
- Continuous pro-active acquisition through each independent entity

Corporate and organisational

- THQ Nordic Austria and Koch Media to operate as separate entities
- First consolidated quarterly report on May 16
- THQ Nordic AB to propose name change ahead of AGM (May 16) to reflect the “new” public listed entity
- New name strengthens each entity’s independence and is thus not to be used towards end customers
- Focus on business development and further acquisitions to deliver continued profitable growth
Pro forma financials for the combined entity

Income statement April – December 2017

- SEK 2,933m Net sales
- SEK 505m Adjusted EBIT
- Asset impairments and write-downs accounted for SEK 552m, of which approximately SEK 437m related to Agents of Mayhem (now completely written off)
- Additional upside from synergies

Financial position

- Koch Media working capital financial arrangements remain in place
- Approximately SEK 800m working capital facility for combined group at signing
- Comfortable financial position for group
- THQ Nordic to re-assess and evaluate longer term group capital structure post closing

### April-Dec 2017 Swedish GAAP (K3) Adjustments Proforma

<table>
<thead>
<tr>
<th></th>
<th>THQ Nordic Unaudited</th>
<th>Koch Media Unaudited</th>
<th>Unaudited</th>
<th>Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>426</td>
<td>2,548</td>
<td>-41</td>
<td>2,933</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>494</td>
<td>2,987</td>
<td>-41</td>
<td>3,440</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>-338</td>
<td>-2,691</td>
<td>94</td>
<td>-2,935</td>
</tr>
<tr>
<td><strong>Adjusted EBIT</strong></td>
<td>156</td>
<td>296</td>
<td>53</td>
<td>505</td>
</tr>
<tr>
<td><strong>Depreciation of PP&amp;E</strong></td>
<td>-2</td>
<td>-11</td>
<td>-</td>
<td>-12</td>
</tr>
<tr>
<td><strong>Amortization of intangible assets</strong></td>
<td>-73</td>
<td>-173</td>
<td>53</td>
<td>-193</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>231</td>
<td>480</td>
<td>0</td>
<td>711</td>
</tr>
<tr>
<td><strong>Impairment of intangible assets</strong></td>
<td>-</td>
<td>-552</td>
<td>-</td>
<td>-552</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Adjusted EBIT margin</th>
<th>Adjusted EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBIT</strong></td>
<td>37%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>54%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Key pro forma adjustments

- Intra-group transactions affecting Net sales and Total operating expenses
- Amortization on a straight-line basis over estimated economic life of the assets and does not include development technology
- Goodwill is the aggregate value of non-quantifiable assets such as IP rights, the current game and film directory, the value of own studios (Volition, Dambuster and Fishlabs), and the business area earnings
- Impairment of Agents of Mayhem of approximately SEK 437m

Note: The pro forma financial information has been prepared in accordance with THQ Nordic’s accounting policies under Swedish GAAP (K3), as described in THQ Nordic’s 2016 Annual report. The financial information of Koch Media are presented in EUR and have been converted to SEK. The average SEK/EUR exchange rate of 9.6757 has been used for the Income statement and exchange rate of 9.8497 has been used for the balance sheet. Source: Koch Media, THQ Nordic
Koch Media Group structure and management

Koch Media GmbH
Höfen – Austria

Dr. Reinhard Gratl
CFO
Employed since 1997

Dr. Klemens Kundratitz
CEO and founder
Employed since 1994

Stefan Kapelari
COO
Employed since 1995

Koch Media GmbH
Planegg – Germany

Deep Silver Fishlabs
Hamburg – Germany

Koch Media srl
Milano – Italy

Koch Media SAS
Paris – France

Deep Silver, Inc.
Larkspur, CA – USA

Deep Silver Volition LLC
Champaign, IL – USA

Koch Films GmbH
Planegg – Germany

Koch Media AG
St. Gallen – Switzerland

Deep Silver Dambuster
Nottingham – UK

Koch Media SLU
Madrid – Spain

Koch Media Ltd.
Theale – UK

Branch Office
Stockholm – Sweden

Branch Office
Breda – Holland

Legend
- Parent company
- Management
- Publishing
- Games
- Film

Source: Koch Media
Appendix
**Pro forma detailed financials for the combined entity**

### Income statement

<table>
<thead>
<tr>
<th>April-Dec 2017 Swedish GAAP (K3)</th>
<th>THQ Nordic</th>
<th>Koch Media</th>
<th>Adjustments</th>
<th>Pro forma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEKm</strong></td>
<td>Unaudited</td>
<td>Unaudited</td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Net sales</td>
<td>425.6</td>
<td>2,548.1</td>
<td>-40.5</td>
<td>2,933.2</td>
</tr>
<tr>
<td>Capitalized work for own account</td>
<td>66.5</td>
<td>220.6</td>
<td>-</td>
<td>287.1</td>
</tr>
<tr>
<td>Other operating income</td>
<td>1.9</td>
<td>218.4</td>
<td>-0.6</td>
<td>219.8</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>494.1</td>
<td>2,987.1</td>
<td>-41.1</td>
<td>3,440.1</td>
</tr>
<tr>
<td>Goods for resale</td>
<td>-123.2</td>
<td>-1,670.3</td>
<td>40.5</td>
<td>-1,752.9</td>
</tr>
<tr>
<td>Other external expenses</td>
<td>-64.5</td>
<td>0.0</td>
<td>-</td>
<td>-64.5</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>-76.1</td>
<td>-380.6</td>
<td>-</td>
<td>-456.6</td>
</tr>
<tr>
<td>Depreciation of PP&amp;E</td>
<td>-1.5</td>
<td>-10.9</td>
<td>-</td>
<td>-12.4</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>-72.8</td>
<td>-173.3</td>
<td>52.9</td>
<td>-193.2</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>0.3</td>
<td>-456.0</td>
<td>0.6</td>
<td>-455.1</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>-337.7</td>
<td>-2,691.1</td>
<td>94.0</td>
<td>-2,934.9</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>156.3</td>
<td>296.0</td>
<td>52.9</td>
<td>505.3</td>
</tr>
<tr>
<td>Impairment of intangible assets</td>
<td>-</td>
<td>-552.0</td>
<td>-</td>
<td>-552.0</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>-</td>
<td>-1.0</td>
<td>-1.0</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>156.3</td>
<td>-255.9</td>
<td>51.9</td>
<td>-47.7</td>
</tr>
<tr>
<td>Other interest income, etc.</td>
<td>0.0</td>
<td>-0.0</td>
<td>-</td>
<td>-0.0</td>
</tr>
<tr>
<td>Other interest expenses, etc.</td>
<td>-5.8</td>
<td>-0.6</td>
<td>-4.6</td>
<td>-11.0</td>
</tr>
<tr>
<td>Total financial items</td>
<td>-5.8</td>
<td>-0.6</td>
<td>-4.6</td>
<td>-11.0</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>150.5</td>
<td>-256.5</td>
<td>47.4</td>
<td>-58.7</td>
</tr>
<tr>
<td>Tax</td>
<td>-34.9</td>
<td>72.6</td>
<td>-12.1</td>
<td>25.6</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>115.6</td>
<td>-184.0</td>
<td>35.3</td>
<td>-33.0</td>
</tr>
</tbody>
</table>

Note: The pro forma financial information has been prepared in accordance with THQ Nordic’s accounting policies under Swedish GAAP (K3), as described in THQ Nordic’s 2016 Annual report. The financial information of Koch Media are presented in EUR and have been converted to SEK. The average SEK/EUR exchange rate of 9.6757 has been used for the Income statement and exchange rate of 9.8497 has been used for the balance sheet. Source: Koch Media, THQ Nordic.