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Press release 31 October 2016

## **THQ Nordic announces its intention to launch an initial public offering and listing on Nasdaq First North Stockholm**

**THQ Nordic AB (publ) (“THQ Nordic”, the “Company”, or the “Group”) today announces its intention to proceed with an Initial Public Offering of the Company’s B-shares on Nasdaq First North Stockholm (“the Offering”). THQ Nordic acquires, develops and publishes PC and console games for the global games market.**

The Board of Directors believes that THQ Nordic since 2011 has established a strong platform from which it can accelerate its growth, and that the Offering is a logical next step in the Company’s development that among other things will:

- finance further growth
- enhance the ability for THQ Nordic to use its shares to finance future acquisitions
- broaden and strengthen THQ Nordic’s shareholder base and offer a liquid market for its B-shares
- strengthen THQ Nordic’s recognition and brand with customers, investors and the sector in general

### **The Offering in brief**

- The Offering is expected to comprise in total 20 million B-shares, of which 10 million new B shares and 10 million existing B-shares. In addition, the Company is expected to grant Pareto Securities an over-allotment option which is expected to imply that the Offering may be increased by 2 million newly issued B-shares to cover potential over-allotment in connection with the Offering
- The Offering is expected to be conducted at a fixed price of SEK 20 per B-share, corresponding to a total value of the Company’s shares of SEK 1.2 billion, before the Offering
- The Offering is thus expected to include an issue of new B shares of SEK 200–240 million, depending on whether the over-allotment option is exercised or not
- THQ Nordic intends to use the net proceeds from the Offering mainly to finance: development and marketing of the current pipeline projects; development of additional sequels to existing franchises; and new acquisitions of franchises, game development studios or other objects which complements the operations
- Several well-renowned investors have subject to certain conditions, and at the same price as other investors, committed to become cornerstone investors in the Offering
- A prospectus is expected to be registered with the Swedish Financial Supervisory Authority (Finansinspektionen) and subsequently published on or around 7 November 2016
- Pareto Securities is Global Coordinator and Sole Bookrunner, Avanza is Selling Agent and Baker & McKenzie is legal advisor

**Lars Wingefors, founder and Group CEO, comments:**

*“Since 2011, when the story about THQ Nordic began, we have established a strong platform with more than 370 fantastic co-workers and external game developers, an attractive and diversified games portfolio and the strongest and most well invested pipeline to date. In addition, we have shown strong growth and high profitability, which makes us confident that our business model has been proven. Now we are aiming towards accelerating our growth through our established platform and business model, and we believe that the coming IPO will support us in our growth strategy.”*

**Kicki Wallje Lund, Chairman of the Board, comments:**

*“I am impressed of what the management has achieved in only five years and thrilled about our next chapter as a listed THQ Nordic. The Board sees this IPO as a natural next step in order to broaden and strengthen our ownership, and to increase our financial flexibility in the future as we are moving forward with our growth strategy.”*

**THQ Nordic in brief**

THQ Nordic acquires, develops and publishes PC and console games for the global games market. The core business model consists of acquiring established but currently underperforming franchises and successively refining them.

The Company has a global presence, with its Group head office in Karlstad, Sweden and its operational head office in Vienna, Austria. As of 31 October 2016 the Company had four internal game development studios – two in Sweden, one in Germany and one in the US – and contracts with 19 external game studios in a number of different countries. As of the same date the Company employed more than 370 people, of whom around 30 are employed within publishing operations, around 70 within internal game development and more than 270 are contracted external game developers.

**Game portfolio and pipeline**

THQ Nordic’s game portfolio consists of both owned franchises (IP) and publishing titles. The Company focuses on owning its own franchises and developing and publishing these, and as of 31 October 2016 had around 75 owned franchises in the portfolio. However, the Company also publishes game titles for various strategic partners and at the same time had around 60 publishing titles in its portfolio. In 2015 owned franchises generated 76% of sales and 82% of gross profit, while publishing titles accounted for 22% of sales and 18% of gross profit.

The Company owns franchises such as Darksiders, MX vs. ATV, Red Faction and Titan Quest.

THQ Nordic’s pipeline is strong and well-invested, with 10 announced projects and 16 unannounced projects – including the Company’s three largest development projects to date with an estimated development budget of SEK 65–125m each. In the first nine months of 2016 the Company invested SEK 86m in ongoing projects, and as of 30 September 2016 the Company had capitalised investments in ongoing projects of SEK 142m.

**Distribution**

The Company has global physical distribution capacity via retailers such as Walmart, Gamestop and Amazon, as well as extensive digital distribution capacity through established relationships and agreements with around 40 digital distribution channels such as Steam, PlayStation Store and Xbox Live.

**The market in brief**

In 2016 the global games market is expected to reach sales of roughly USD 100 billion annually and is exhibiting strong growth with an expected annual growth rate of 7% between 2015 and 2019. THQ Nordic primarily operates within the PC and console segments. Sales within the PC/MMO segment are in 2016 expected to constitute approximately 58% of the total market. THQ Nordic’s end consumers are primarily located in North America and Europe, and western countries are in 2016 expected to account, for around 50% of the total market.

## Financial overview

THQ Nordic has developed strongly in recent years. Net sales growth in the first nine months of 2016 was 52% compared with the same period in 2015 and average annual growth in 2014 and 2015 was 44%. The underlying EBIT margin was 31% in the first nine months of 2016 and 37% in 2015.

Investments in development projects have increased noticeably since 2013, both in absolute figures and as a proportion of EBITDA. In the first nine months of 2016 a total of SEK 87.3 m was invested in game development (“finished games” and “ongoing projects”) and as of 30 September 2016 the Company had capitalised investment costs of SEK 153.8m related to game development. The rate of investment in the first nine months of 2016 corresponded to 122% of EBITDA, which is an increase compared with full-year 2015 when the equivalent figure was 60%.

	January–December			January–September	
	2013	2014	2015	2015	2016
Net sales, SEKm	102.3	178.0	212.9	114.5	173.7
<i>Net sales growth</i>	784%	74%	20%	5%	52%
EBITDA, SEKm	48.8	95.2	105.1	52.8	71.6
<i>EBITDA margin</i>	48%	53%	49%	46%	41%
Underlying EBIT <sup>(a)</sup> , SEKm	40.4	79.9	78.9	40.5	54.4
<i>Underlying EBIT margin</i>	39%	45%	37%	35%	31%
Investments in game development, SEKm	15.2	34.8	63.0	46.3	87.3
Investments in game development / EBITDA	31%	37%	60%	88%	122%

(a) Underlying EBIT is defined as EBIT before amortization of IP rights

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