



**THQ Nordic AB (publ) acquires Koch Media**

**Investor Presentation  
February 14, 2018**

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# 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

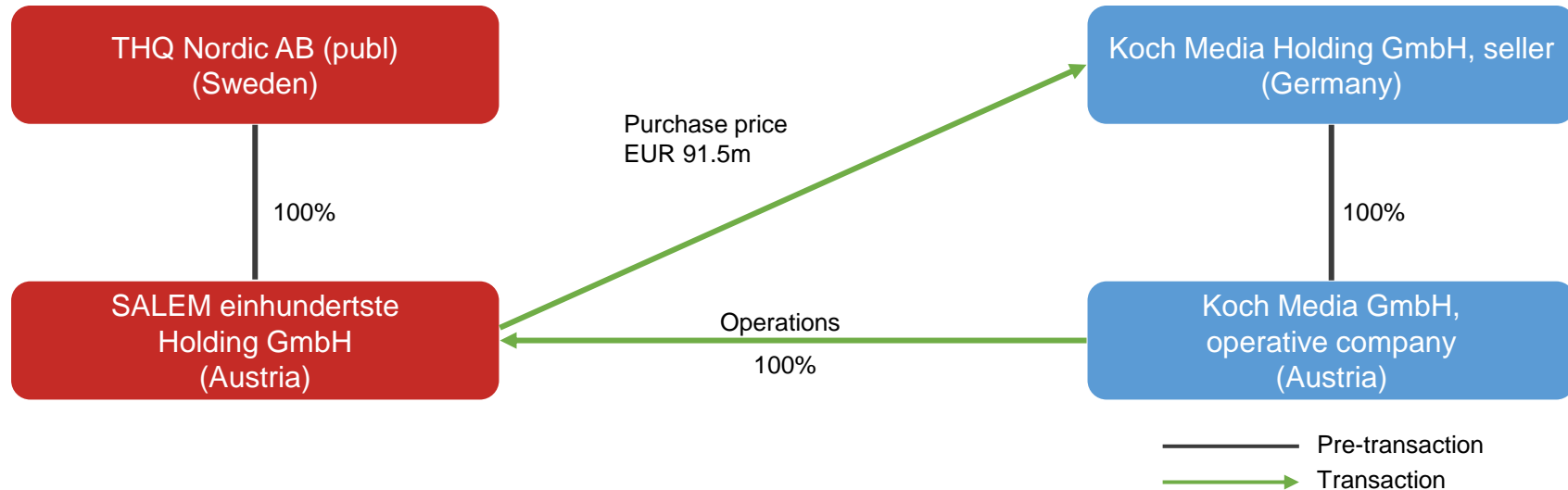




Internal development studios <sup>1</sup>	7	3	10	
External development studios <sup>1</sup>	18	8	26	
Number of IPs <sup>1</sup>	91	15	106	
Development projects <sup>1</sup>	Announced	12	5	17
	Unannounced	24	9	33
Headcount (internal and external) <sup>1</sup>	462	1,181	1,643	
Net sales 2017 9m, Apr-Dec	SEK 426m	SEK 2,548m	SEK 2,933m <sup>2</sup>	
Adj. EBIT 2017 9m, Apr-Dec	SEK 156m	SEK 296m <sup>3</sup>	SEK 505m <sup>2,3</sup>	

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

# High level transaction structure

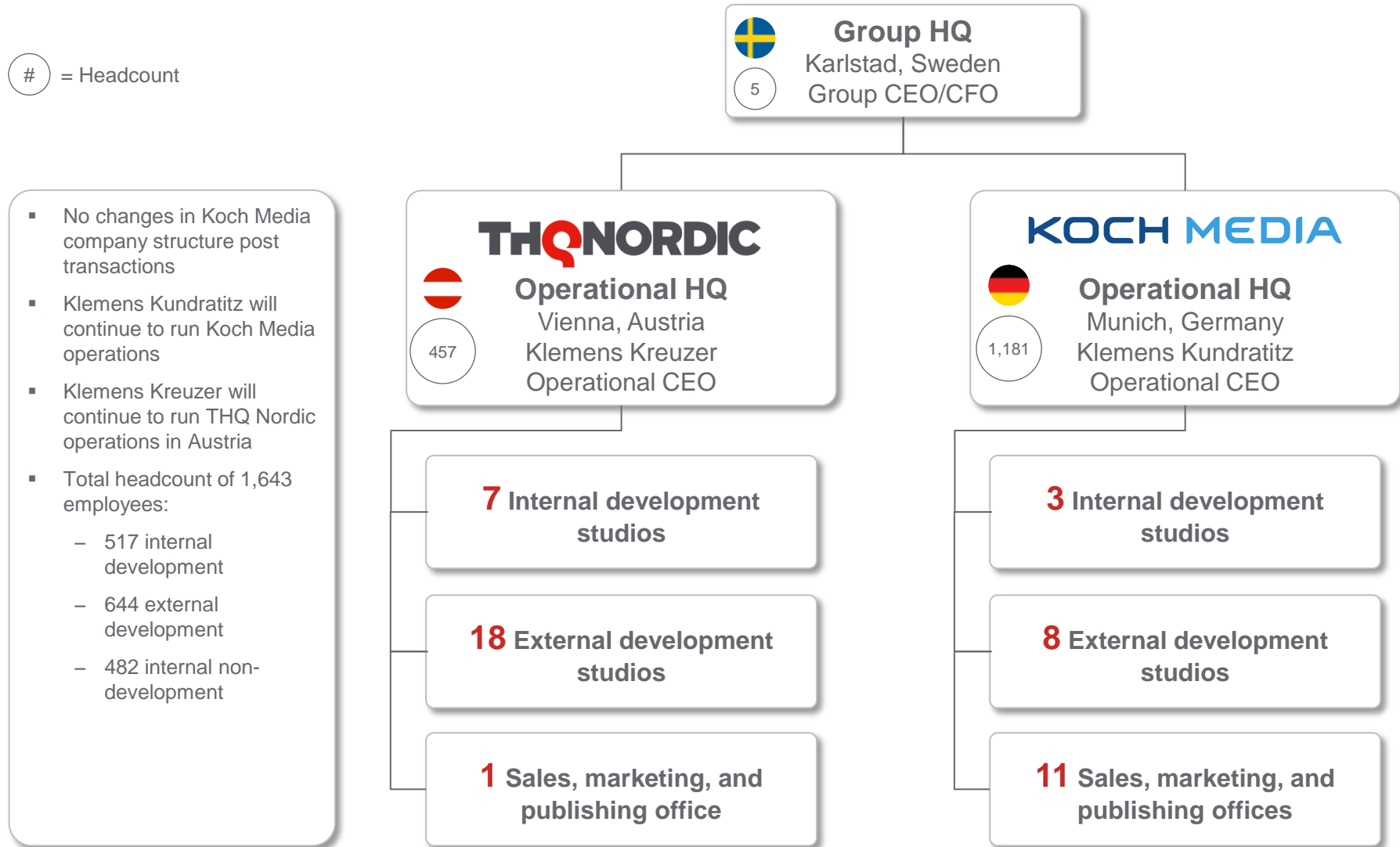


## Transaction information

- 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

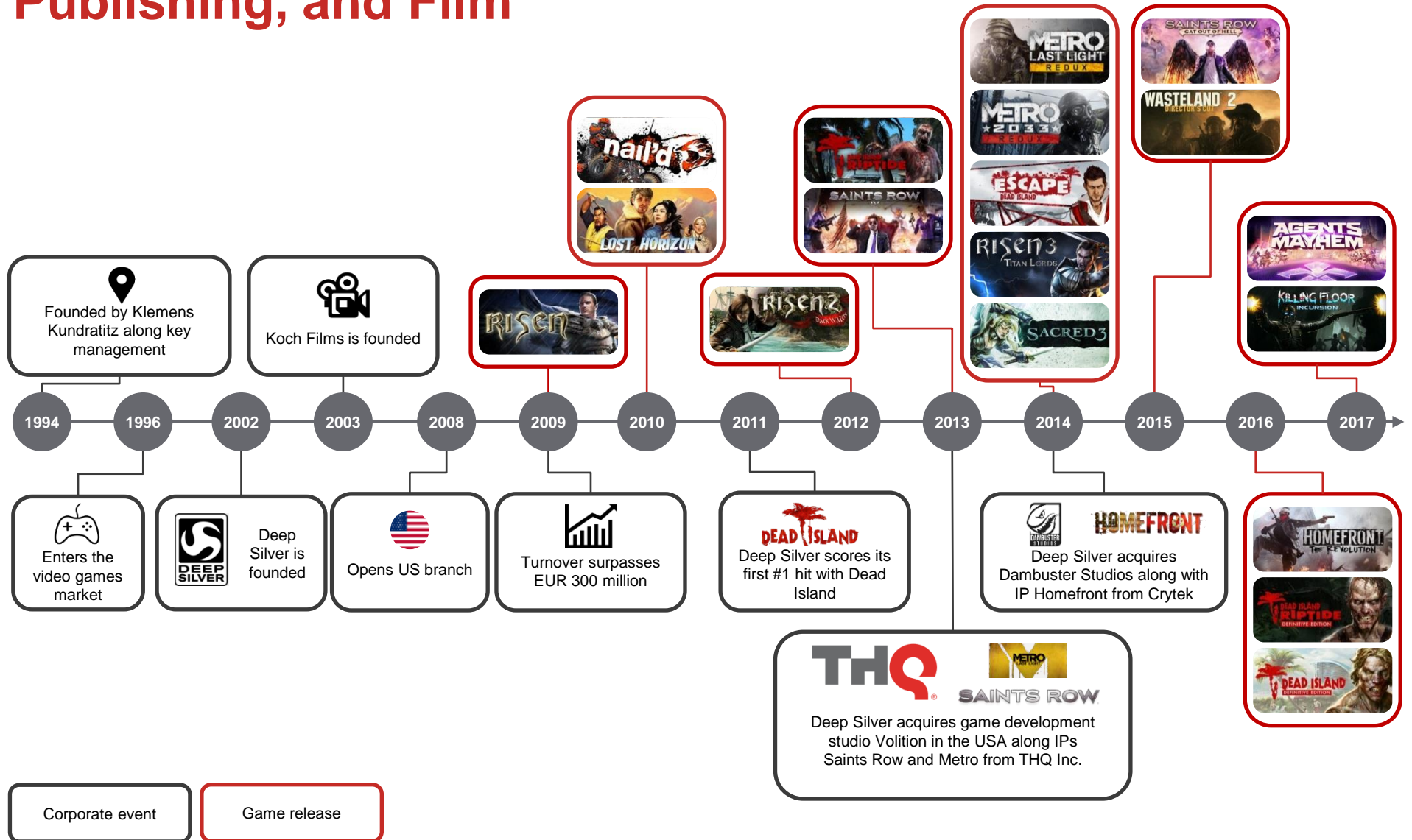
# Strong platform and operational setup

# = Headcount

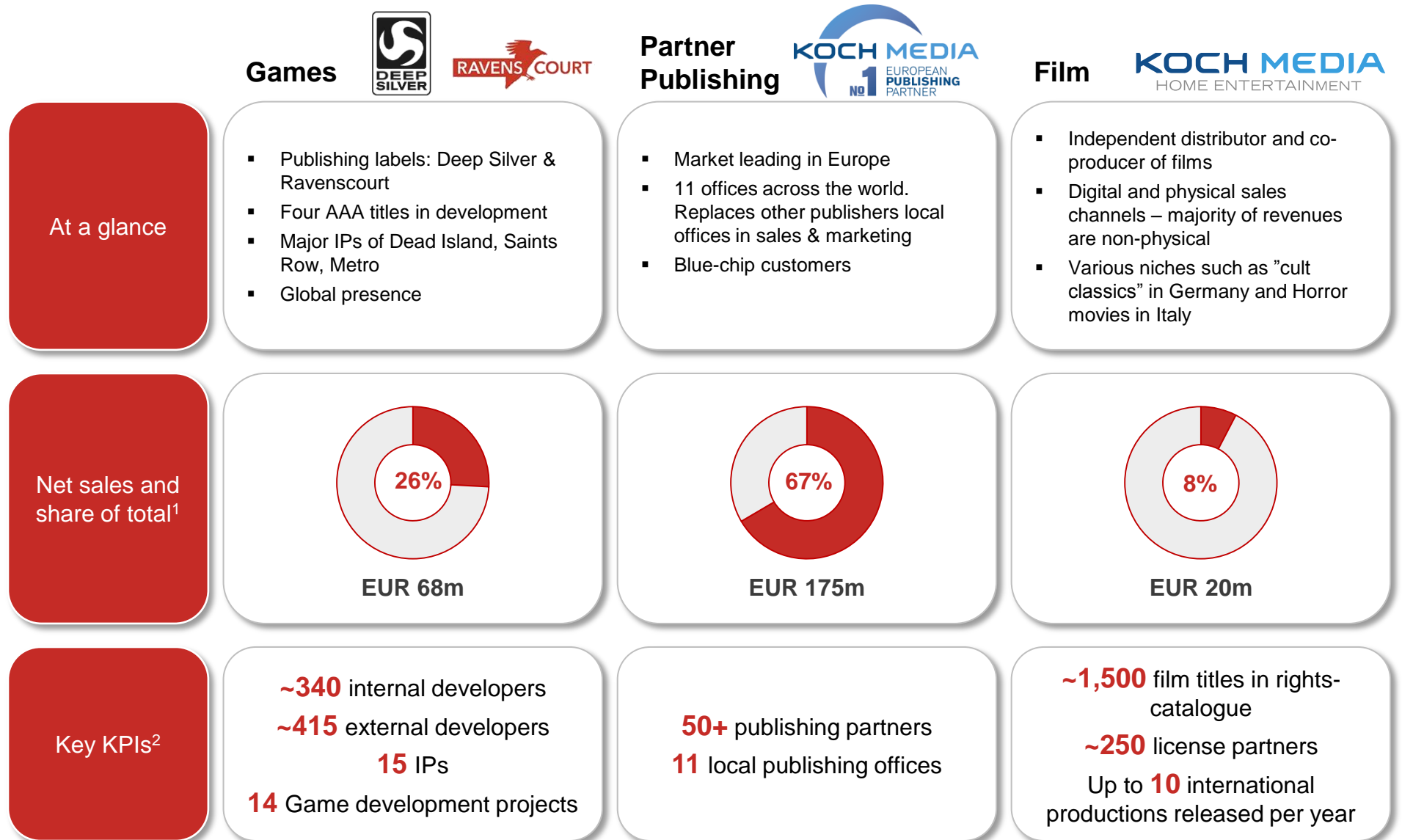


- No changes in Koch Media company structure post transactions
- Klemens Kundratitz will continue to run Koch Media operations
- Klemens Kreuzer will continue to run THQ Nordic operations in Austria
- Total headcount of 1,643 employees:
  - 517 internal development
  - 644 external development
  - 482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

# Koch Media has a long track record in Games, Partner Publishing, and Film



# Strong combination of business areas within Koch Media



1) Management accounts for the period FY2017/18 9m Apr-Dec. 2) December 31, 2017. Source: Koch Media



# Volition – Highly praised open-world developer



volition

## 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 employees<sup>1</sup>

## Selection of titles

FREESPACE



RED FACTION™ SERIES

Summoner

SAINTS ROW

AGENTS MAYHEM

## Timeline of released games



<sup>1</sup>) December 31, 2017. Source: Koch Media



# 25 years of game development experience



volition



volition



## History

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



# 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 employees<sup>1</sup>

## Selection of titles

TIME SPLITTERS

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



# 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 employees<sup>1</sup>

## Selection of game titles



## History

2004

Founded

2011

Awarded “Best Studio 2011” in German Game Developer awards

2013

Acquired by Koch Media / Deep Silver

1) December 31, 2017. Source: Koch Media



# Metro IP

## 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<sup>1</sup>

~12m copies sold in lifetime on all platforms<sup>2</sup>

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<sup>3</sup> trailer on Youtube**



Release date: May 2013

 **metacritic**  **STEAM**

Userscore

Userscore

8.6

**n.a.**



Release date: Mar 2010

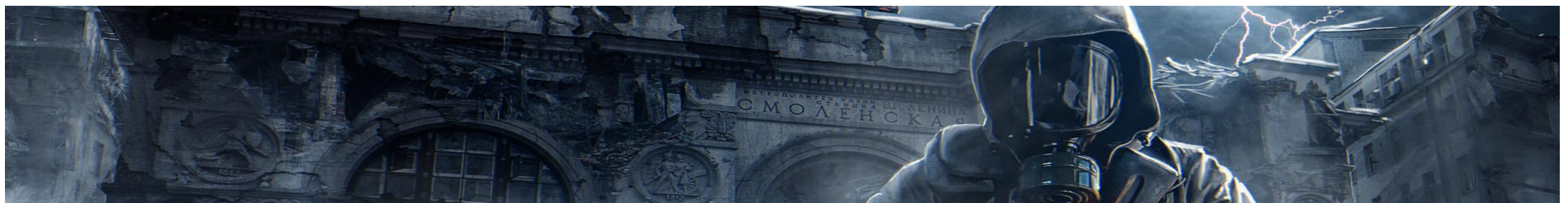
 **metacritic**  **STEAM**

Userscore

Userscore

8.1

**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 revenues<sup>1</sup>

14m+ copies sold in lifetime on all platforms<sup>2</sup>

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 Youtube<sup>3</sup>



Release date: Apr 2013

metacritic	STEAM
Userscore	Userscore
6.1	86%



Release date: Sep 2011

metacritic	STEAM
Metascore	Userscore
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

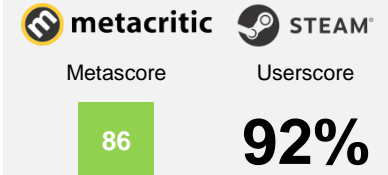
The Saints Row IP has been one of THQ Inc's largest successes

USD 600m in lifetime revenues<sup>1</sup>

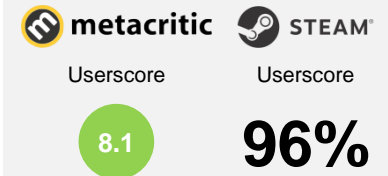
32m+ copies sold in lifetime on all platforms<sup>2</sup>



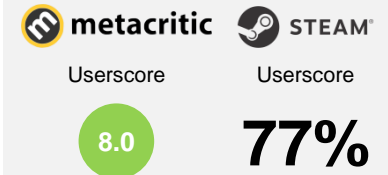
Release date: Aug 2013



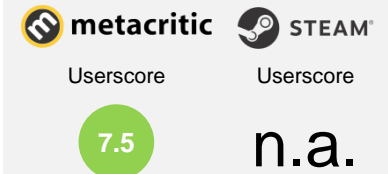
Release date: Nov 2011



Release date: Oct 2008



Release date: Aug 2006



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 revenues<sup>1</sup>

~0.3m copies sold in lifetime on all platforms<sup>2</sup>

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 revenues<sup>1</sup>

~1.2m copies sold in lifetime on all platforms<sup>2</sup>

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 ~87m<sup>3</sup>

# Deep Silver has a strong pipeline of new games



Release date: 13 February 2018

GENRE: RPG PLATFORMS: Windows PC, Xbox One, PlayStation 4



Release date: 2018

GENRE: Racing PLATFORMS: Windows PC, Xbox One, PlayStation 4



Release date: 2018

GENRE: FPS PLATFORMS: Windows PC, Xbox One, PlayStation 4




Release date: TBC

GENRE: RPG PLATFORMS: Windows PC, Xbox One, PlayStation 4



Release date: TBC

GENRE: RPG PLATFORMS: Windows PC, PlayStation 4



+7 more

Plus 7 other pipeline projects

GENRE: N.A. PLATFORMS: N.A.



Next AAA-title Volition

Release date: TBC

GENRE: N.A. PLATFORMS: N.A.



Next AAA-title Dambuster

Release date: TBC

GENRE: N.A. PLATFORMS: N.A.

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

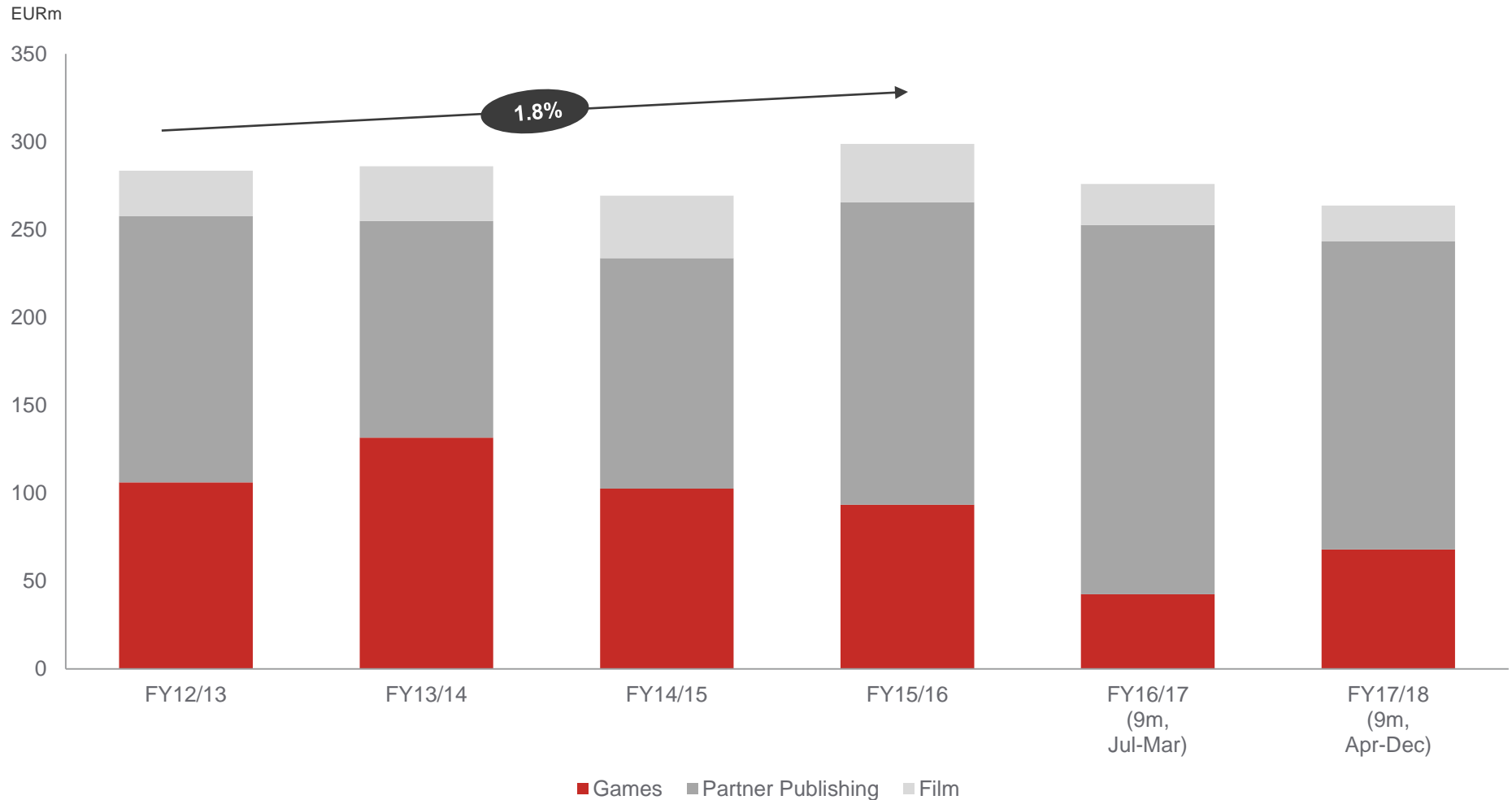


## Selected key partners



# Stable sales development in recent years

Net sales development for Koch Media standalone



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

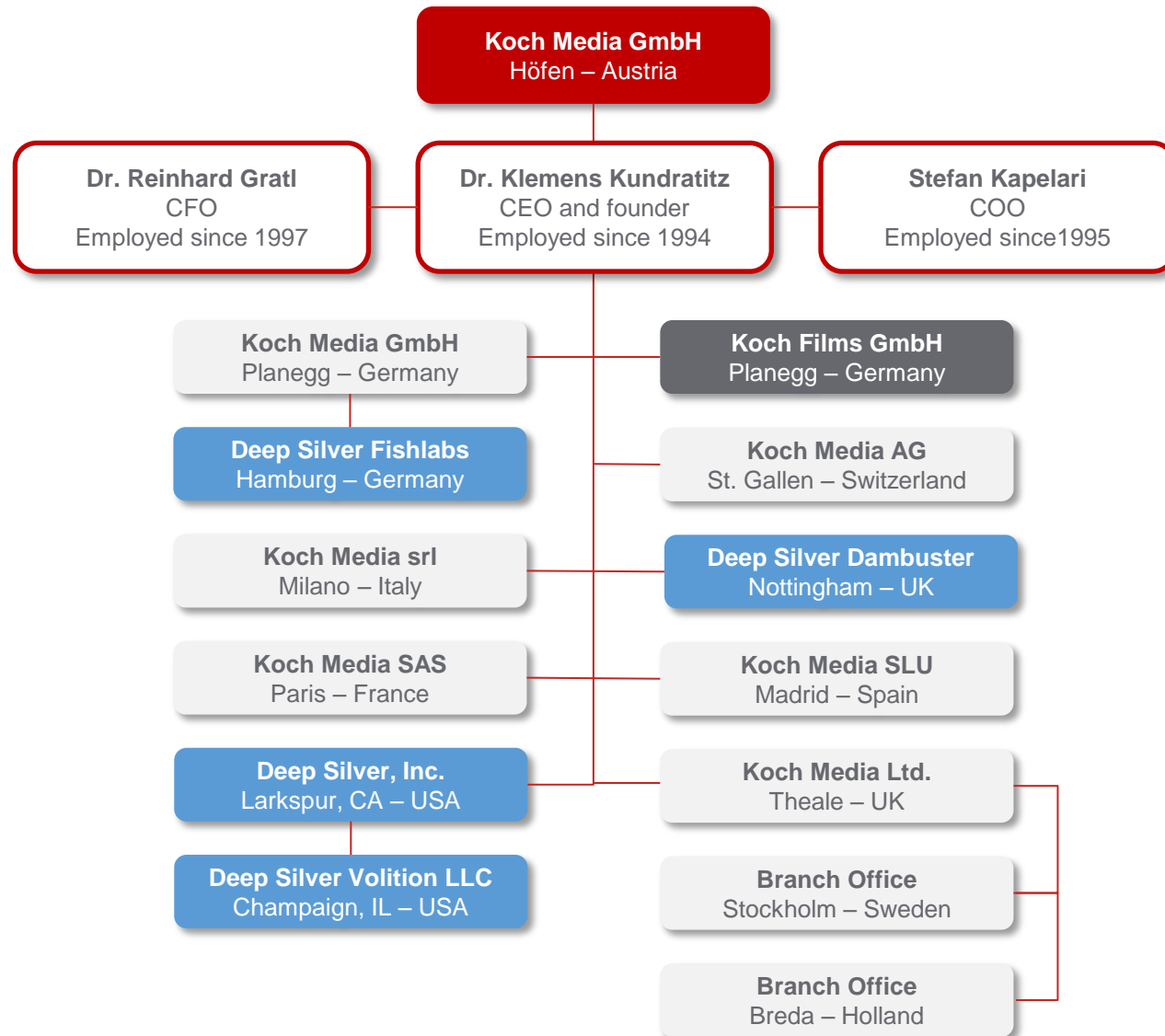
April-Dec 2017 Swedish GAAP (K3)	THQ Nordic	Koch Media	Adjustments	Proforma
SEKm	Unaudited	Unaudited	Unaudited	Unaudited
Net sales	426	2,548	-41	2,933
<b>Total operating income</b>	<b>494</b>	<b>2,987</b>	<b>-41</b>	<b>3,440</b>
<b>Total operating expenses</b>	<b>-338</b>	<b>-2,691</b>	<b>94</b>	<b>-2,935</b>
<b>Adjusted EBIT</b>	<b>156</b>	<b>296</b>	<b>53</b>	<b>505</b>
Depreciation of PP&E	-2	-11	-	-12
Amortization of intangible assets	-73	-173	53	-193
<b>Adjusted EBITDA</b>	<b>231</b>	<b>480</b>	<b>0</b>	<b>711</b>
Impairment of intangible assets	-	-552	-	-552
<i>Adjusted EBIT margin</i>	<i>37%</i>	<i>12%</i>		<i>17%</i>
<i>Adjusted EBITDA margin</i>	<i>54%</i>	<i>19%</i>		<i>24%</i>

### 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



## Legend

- Parent company
- Management
- Publishing
- Games
- Film





# Appendix

# Pro forma detailed financials for the combined entity

## Income statement

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

## Balance sheet

December 31, 2017 Swedish GAAP (K3)	THQ Nordic	Koch Media	Adjustments	Pro forma
SEKm	Unaudited	Unaudited	Unaudited	Unaudited
Intangible assets	541.1	909.2	-242.9	1,207.5
Goodwill	23.7	93.0	284.6	401.3
Property, plant and equipment	8.1	24.8	-	32.9
Financial assets	0.0	0.8	-	0.8
Deferred tax assets	2.3	167.0	-	169.3
Inventory	30.1	114.1	-	144.2
Current receivables	90.2	924.6	-11.3	1,003.5
Cash and bank balance	626.5	225.8	-558.7	293.5
<b>Total assets</b>	<b>1,322.1</b>	<b>2,459.2</b>	<b>-528.3</b>	<b>3,253.0</b>
Share capital	0.7	14.8	-14.8	0.7
Other shareholders' equity	1,072.6	827.5	-725.3	1,174.8
Provisions	3.6	277.3	-	280.9
Deferred tax liabilities	37.1	29.9	-60.7	6.3
Current liabilities	208.1	1,309.7	272.4	1,790.3
<b>Total liabilities and equity</b>	<b>1,322.1</b>	<b>2,459.2</b>	<b>-528.3</b>	<b>3,253.0</b>

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